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2 STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
3 OFFICE OF THE HEALTH INSURANCE COMMISSIONER  
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6 IN RE: BLUE CROSS & BLUE SHIELD :  
7 OF RHODE ISLAND CLASS DIR: OHIC No. 08-RH-01  
8 SUBSCRIPTION RATES :

9 Submitted November 15, 2007  
10  
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12 PRE-FILED DIRECT TESTIMONY OF  
13 BARBARA NIEHUS, FSA, MAAA

14 January 11, 2008

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Health Insurance  
Commissioner

15  
16 I. INTRODUCTION

17 Q. Please state your name, professional qualifications, and area of responsibility.

18 A. My name is Barbara Niehus. I am a Fellow of the Society of Actuaries and a  
19 Member of the American Academy of Actuaries. I serve as a consulting actuary on various  
20 issues arising in connection with life and health insurance.

21 Q. For how long have you been a consulting actuary?

22 A. I founded my firm, Niehus Actuarial Services, Inc. in February 2001, which is  
23 when I began my consulting career.

24 Q. Prior to becoming a consulting actuary, what experience did you have with  
25 respect to life and health insurance?

26 A. From 1994 until February 2001 I was employed by CNA of Chicago. I served as  
27 Group Vice President and Senior Financial Officer of CNA's Group Operations Division from  
28 1997 to 2001, and from 1994 to 1997 as Senior Vice President with responsibilities for pricing,  
29 product development, reserve reviews, and other actuarial and financial matters.

1 From 1984 until 1994, I was employed in various capacities with Celtic Life Insurance  
2 Company of Chicago, Illinois, serving as Executive Vice President with overall profit and  
3 management responsibilities for its Small Group Division from 1988 to 1994. I was employed  
4 by Allstate Insurance Companies of Northbrook, Illinois, from 1972 until 1984 in various  
5 capacities involving the underwriting, pricing, reserve calculations, product development and  
6 other matters for their group life, health and disability insurance products. I began my career as  
7 an actuarial student for Montgomery Ward Life Insurance Company of Chicago, Illinois, where I  
8 was employed from 1970 to 1972.

9 Q. What actuarial activities are you involved in outside of your consulting  
10 responsibilities?

11 A. I have been an active member of the Society of Actuaries (SOA), and was elected  
12 in 2006 to a three-year term on the Health Section Council. I have participated in the  
13 development of the syllabus and study materials for students seeking to become members of the  
14 SOA. I have also spoken at meetings, led seminars, and participated on the elections committee.  
15 Over the years, I have participated on various industry committees, especially in relation to the  
16 development of regulations affecting small group health insurance. I have also published articles  
17 and spoken in other insurance-related forums.

18 Q. Have you qualified and been accepted as an expert on actuarial matters before?

19 A. I have served as an expert witness or expert consultant in over 15 matters and  
20 have been accepted as an expert and testified both in federal court and in arbitration hearings.  
21 I also testified as an expert at last year's hearing in Rhode Island regarding the Blue Cross Class  
22 DIR rates.

1 Q. Please identify the document that has been marked as Attorney General Exhibit B  
2 for identification?

3 A. It is a copy of my Curriculum Vitae.

4 **Ms. Niehus is offered as an expert in the field of actuarial sciences.**

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6 **II. MATERIAL REVIEWED**

7 Q. Ms. Niehus, did you review Exhibits 1-9 of the filing of Subscription Rates for  
8 Class DIR submitted by Blue Cross Blue Shield of Rhode Island ("Blue Cross") on  
9 November 15, 2007, for rates to become effective April 1, 2008 (the "Filing")?

10 A. Yes.

11 Q. Did you review any other materials that were used in your review and in reaching  
12 your conclusions?

13 A. Yes. I reviewed all of the materials submitted by Blue Cross in response to the  
14 Attorney General's Data Requests submitted on November 28, 2007 (1<sup>st</sup> Set) and December 21,  
15 2007 (2<sup>nd</sup> Set). I also reviewed the Class DIR rate filings submitted by Blue Cross on  
16 November 20, 2006, HIC No. 06-RH-01 ("2006 Class DIR Filing") and October 28, 2005, HIC  
17 No. 05-RH-02 ("2005 Class DIR Filing") and related materials, including questions submitted by  
18 the Attorney General and the Office of the Health Insurance Commissioner ("OHIC"), Blue  
19 Cross's responses to those questions, pre-filed testimony, and the OHIC's final Orders and  
20 Decisions in those proceedings.

1     **III.     FINDINGS - General**

2             Q.     Ms. Niehus, have you reached any conclusions to a reasonable degree of actuarial  
3     certainty regarding the Filing that affect the amount of the rates requested by Blue Cross?

4             A.     Yes.

5             Q.     Please state those conclusions.

6             A.     I have determined that the rate increases requested in the Filing, in aggregate, are  
7     too high. Blue Cross has requested rate increases of 15% for Pool I and 8% for Pool II. These  
8     rates include inappropriate charges which, in aggregate, account for approximately 2.2% of  
9     premium.

10            Q.     Have you reached any other conclusions regarding the Filing?

11            A.     Yes.

12            Q.     What are those conclusions?

13            A.     As discussed further in my prefiled direct testimony, I have identified a number of  
14     areas that present opportunities for Blue Cross to better manage the Class DIR business to help  
15     ensure its long-term viability.

16     **IV.     FINDINGS – Rates are too high**

17            Q.     You stated that you believe the requested rate increases, in aggregate, are too  
18     high. What is the basis for your conclusion?

19            A.     I believe that Blue Cross's calculation of required rates includes three adjustments  
20     that are not appropriate. Those three adjustments are:

21                 (1) a charge for contribution to reserves (including related tax liability) of 1.25%,

22                 (2) a charge of 0.5% to fund Blue Cross's new "core" system, and

23                 (3) an increase of approximately 0.4% for the Health Wellness Benefit Plan ("HWBP").

1 Q. Let's take those one at a time. Can you first discuss the charge for contribution to  
2 reserves?

3 A. Yes. In its proposed rates, Blue Cross has included a charge for contribution to  
4 reserves (including related tax liability) of 1.25%.

5 Q. What is meant by "reserves"?

6 A. Blue Cross must hold reserves, more commonly referred to as "surplus", to  
7 protect itself against extreme fluctuations in its business. Surplus is funded through "profits" on  
8 premiums. Premium dollars not used to pay claims or cover other costs are contributed to  
9 surplus (or "reserves" in the case of Blue Cross). All insurance companies, including Blue  
10 Cross, are regulated by state insurance departments. One requirement of insurance regulators is  
11 that the insurance company be financially strong enough to assure that all financial obligations  
12 can be met, even when claims exceed expected levels. Therefore, a certain amount of surplus  
13 must be held by the insurance company to meet the regulators' test of adequacy. However, Class  
14 DIR subscriber premiums are only a small percentage of Blue Cross's total premiums, and the  
15 contribution required to be made by Class DIR subscribers to Blue Cross's surplus in any one  
16 year needs to be balanced against the need to maintain affordable rates.

17 Q. Why is it inappropriate for Class DIR to contribute to Blue Cross's reserves for  
18 the rate year covered by the Filing?

19 A. In its decision last year regarding Blue Cross's requested rate increase in the 2006  
20 Class DIR Filing, the OHIC raised a number of reasons why it was not appropriate at that time to  
21 charge Class DIR subscribers for a contribution to surplus (see HIC No. 06-RH-01,  
22 Recommendation of the Hearing Officer, dated February 21, 2007, pp. 21-26). Among those  
23 reasons were:

1 (1) Direct Pay subscribers suffered substantial increases in both rates and cost-sharing  
2 effective April 1, 2006. At the time, Blue Cross's proposed changes were approved  
3 with only minor modifications;

4 (2) Direct Pay subscribers are particularly vulnerable to the high costs of health care,  
5 because there is no employer contribution or tax subsidy of premium;

6 (3) In 2006 Blue Cross realized record-level net income; and

7 (4) Blue Cross's surplus was nearly at a level determined to be adequate.

8 Much of that logic applies again this year. In fact, through June 30, Blue Cross's earnings for  
9 2007 were even stronger than the comparable period in 2006 and its surplus exceeded \$400  
10 million.<sup>1</sup>

11 In addition, the Attorney General notes that Blue Cross recently agreed to pay a \$20  
12 million penalty in a plea bargain with the United States Attorney to avoid indictment of Blue  
13 Cross in connection with the misconduct of certain Blue Cross officers and employees. This  
14 penalty will be drawn from Blue Cross's surplus. The surplus was funded through subscriber  
15 premiums, or more specifically, that portion of premium referred to as "contribution to reserves"  
16 which Blue Cross proposes adding to class DIR premiums. In light of this penalty, the Attorney  
17 General recommends that no contribution to surplus be included in the proposed rates to become  
18 effective April 1, 2008. There must be absolute certainty that Class DIR subscribers are not  
19 being asked to assist in replenishing that lost surplus.

20 Q. Please explain your concerns regarding the 0.5% being added to Class DIR rates  
21 for purposes of funding Blue Cross's new core system.

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<sup>1</sup> Per AM Best report dated 8/27/07.

1           A.     Blue Cross intends to develop a new “core system” to manage its business  
2 processes. According to Mr. Boyd (see Exhibit 5, p. 19 of the Filing), the new core system will  
3 replace the current claim system as well as over 70 other business systems. Blue Cross has  
4 decided to add a charge equal to 0.5% of premium to fund a portion of the system cost. In Data  
5 Request AG2-1, the Attorney General requested additional information regarding the  
6 determination of the 0.5% charge, but no explanation or justification was provided in either the  
7 Filing or Blue Cross’s response seeking additional information. In addition, we would expect  
8 that, as the capitalized costs of the system are expensed over time, those expenses will be  
9 reflected as amortization costs and will be part of the expenses included in premium rates to be  
10 charged in future years. The Attorney General is concerned that Blue Cross plans to charge  
11 subscribers both up front for the capitalized costs, and then a second time as the amortization of  
12 expenses flow through. This is clearly inappropriate and unfair.

13           Q.     You also mentioned an adjustment related to the HWBP. Please explain why it is  
14 inappropriate to include this adjustment in the overall Class DIR rates.

15           A.     Blue Cross’s rate increase includes an adjustment reflecting the fact that the  
16 HealthMate Direct 2000 plan will become a HWBP. This adjustment is calculated in Schedule  
17 18 of Exhibit 2 of the Filing, and has the effect of increasing required premium rates by  
18 approximately 0.4%. The purpose of this increase is to fund Blue Cross’s costs related to  
19 premium refunds to those subscribers meeting the HWBP’s premium-refund qualification  
20 requirements. This adjustment is inappropriate for several reasons. First, Blue Cross has said  
21 that the change has not yet been approved by the OHIC (Exhibit 4, p. 21 of the Filing), so no  
22 adjustment should be made unless approval is obtained. Second, Blue Cross has added an  
23 across-the-board charge to the required rates “on the assumption that twenty-five percent of the

1 current HealthMate Direct 2000 enrollees will participate in the wellness reward program and  
2 [the cost] is equally applied to the base rates for all benefit plans.” (Exhibit 4, p. 21 of the  
3 Filing.) The only subscribers who will benefit from this change will be those who elected the  
4 HealthMate Direct 2000 plan. It is unfair to charge the HWBP-associated costs to subscribers in  
5 plans that will not benefit from the HWBP. Third, the underlying principle of the HWBP is that  
6 it will lead to smarter health choices and thereby reduce medical costs. Blue Cross has factored  
7 in its costs of proposed rewards in the form of premium refunds. However, Blue Cross has not  
8 built in any assumed cost savings that might be generated by the program.

9 Q. Have you explained all the reasons why you believe the rate increase is too high?

10 A. The rate increase is too high for the reasons I have discussed. I also note that  
11 Blue Cross’s rate increases include a new charge not built into previous premium rates. That  
12 charge is equal to 1.1% of premium and is required in order to fund a state premium assessment,  
13 in response to a new requirement enacted by the State effective January 1, 2008 (see Exhibit 4,  
14 p. 14 of the Filing). Taking on this new assessment is a significant enough burden on Class DIR  
15 subscribers, without also requiring them to pay the inappropriate charges proposed by Blue Cross  
16 that I have just discussed.

17 Q. You have discussed three inappropriate charges included in Blue Cross’s  
18 proposed rates, including the contribution to reserves, the charge for funding the new core  
19 system and the adjustment for the HWBP. Have you reached an opinion, to a reasonable degree  
20 of actuarial certainty, as to what rates are appropriate for the April 1, 2008 Billing Cycle if these  
21 inappropriate charges are removed?

22 A. Yes.



1 Q. What is that opinion?

2 A. Attachment AGBN-1 presents the Attorney General's proposed rates, and also  
3 displays the current rates as well as Blue Cross's proposed rates. In every case, the Attorney  
4 General's proposed rates are lower than those proposed by Blue Cross. For Pool I subscribers,  
5 the Attorney General proposes a 12.5% increase, as compared to Blue Cross's proposed increase  
6 of approximately 15%. For Pool II subscribers, the Attorney General proposes a 5.7% increase,  
7 rather than the 8% increase proposed by Blue Cross.

8 Q. Please explain how you calculated those rates.

9 A. That calculation is presented in Attachment AGBN-2, which includes all of the  
10 schedules from Exhibit 2 of the Filing that are affected by the Attorney General's proposed  
11 changes. That includes Schedules 6 through 10, 12 through 16, 18 through 23, and 50. Note that  
12 in Attachment AGBN-2, numbers that are *shaded* represent my changes to input values on the  
13 corresponding Blue Cross Filing Schedule, while numbers in *bold* type represent my revised  
14 calculations based on my new inputs in those Filing Schedules. The removal of the reserve  
15 contribution and the proposed funding for Blue Cross's new core system is reflected in  
16 Schedules 23 and 50 of Attachment AGBN-2. The removal of the WHBP adjustments required  
17 changes to Schedules 18 and 19, as reflected in Attachment AGBN-2. Those adjustments then  
18 carry through the other schedules in Attachment AGBN-2. .

19 In Schedule 21 of Attachment AGBN-2, I chose a Pool I experience-adjusted loss ratio  
20 (column 5) of 1.0100, rather than Blue Cross's chosen value of .9921. Blue Cross indicated that  
21 it chose its value to "cap the Pool I rate increase at 15%" (see Exhibit 2, Schedule 21,  
22 Footnote (E) of the Filing). I chose the value of 1.0100 using similar reasoning, capping the rate

1 increase at 12.5% for subscribers in Pool I. Under this scenario, the Pool II loss ratio becomes  
2 62.5%, which is somewhat higher than Blue Cross's value of 61.4%.

3 **V. FINDINGS – Management Opportunities**

4 Q. You stated earlier that you have identified a number of areas that present  
5 opportunities for Blue Cross to better manage the Class DIR business to help assure its long-term  
6 viability. Can you identify those opportunities?

7 A. Yes. After reviewing Blue Cross's calculations and methodology, I noted certain  
8 issues that, although not affecting this year's recommendations, may become important in the  
9 future.

10 Q. What is the first area of opportunity for Blue Cross to better manage the Class  
11 DIR business you have identified?

12 A. The Rate Relativity Factors used by Blue Cross in the Filing were initially  
13 introduced in the 2005 Class DIR Filing and were determined prior to the introduction of the new  
14 plans. Blue Cross should review the appropriateness of these factors and consider updating  
15 them.

16 Q. Let's discuss your findings regarding the Rate Relativity Factors. First of all,  
17 what are Rate Relativity Factors?

18 A. Rate Relativity Factors are designed in their most general sense to distribute the  
19 claims costs by plan appropriately over a subscriber base, such as Class DIR. Thus, the actual  
20 rates charged to subscribers are not based on true underlying claim costs; instead they are based  
21 on a set of factors that are somewhat arbitrary, but reflect the actuary's judgment regarding how  
22 much of the true claim differences can be passed along in the calculation of premium rates.

1 Q. How does Blue Cross use these Rate Relativity Factors in its Filing?

2 A. Blue Cross uses Rate Relativity Factors to set the relationship of rates between  
3 each of the different plan designs. These factors can be found in Schedules 18 and 19 of  
4 Exhibit 2 of the Filing. Blue Cross sets the premium for each of the plans in direct proportion to  
5 the Rate Relativity Factor assigned to the plan. For example, the Rate Relativity Factor for  
6 HealthMate Direct 400 is 0.861, while the Rate Relativity Factor for HealthMate for HSA 5000  
7 is 0.436. The ratio of these two Rate Relativity Factors is  $0.861 / 0.436 = 1.975$ . This means  
8 that Blue Cross will determine the premium rates so that any particular subscriber would pay a  
9 premium rate for the HealthMate Direct 400 plan that will be 1.975 times the rate that same  
10 subscriber would pay for the HealthMate for HSA 5000.<sup>2</sup>

11 Class DIR rates are set so that, in total, all subscribers as a Class are expected to pay their  
12 fair share of related Blue Cross costs, including claims, administrative expenses and other costs.  
13 However, like any other type of insurance, over any particular period of time, some subscribers  
14 (those with more claims) will get a better “return” on their premium dollar than other subscribers  
15 (those with fewer claims). Some subscribers with serious health problems will generate claims  
16 that exceed their own premiums by hundreds of thousands of dollars. Those losses are funded by  
17 premiums from subscribers who had small or no claims during that same time period.

18 Subscribers electing higher-deductible plans can see significant premium savings, but typically  
19 these savings do not reflect the full value of the plan differences. This means that the pricing of  
20 Class DIR products includes, by necessity, a variety of cross-subsidies.

21 It is clearly recognized in the Class DIR plans that Pool I subscribers (who have higher  
22 expected claims costs than Pool II subscribers) are subsidized by Pool II subscribers (who have

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<sup>2</sup> The Rate Relativity Factors apply to all components of premium except for the Solid Organ Transplant and Bone Marrow Transplant premium (see, e.g., Exhibit 2, Schedule 12 of the Filing).

1 lower expected claims costs than Pool I subscribers and are healthy enough to pass medical  
2 underwriting to obtain the preferred rates of Pool II).

3 Q. Are there any other subsidies among Class DIR subscribers?

4 A. Yes. Another subsidy occurring among Class DIR subscribers is that the more-  
5 expensive, lower-deductible plans are subsidized by the less expensive, higher deductible plans.  
6 This is typical for health insurance pricing. However, for the Class DIR program to remain  
7 viable over time, all subsidies among Class DIR subscribers need to be managed and understood.

8 As shown in Attachment AGBN-3, based on Blue Cross's proposed rates, the ratio of  
9 projected claims to required monthly base rate (the "loss ratio"<sup>3</sup>) varies significantly among  
10 plans. This is due to the fact that the Rate Relativity Factors used in the Filing do not reflect the  
11 underlying plan costs. The subscribers enrolled in the HealthMate Direct 400 plan are  
12 subsidized by subscribers in the higher deductible plans.

13 Another subsidy that typically exists in health insurance premium rates is the subsidy of  
14 older subscribers by younger subscribers. In my review of the Filing, I did not study the nature  
15 of those subsidies, but it is likely that such subsidies exist in Pool II. This is another area that  
16 Blue Cross may wish to study further in the future to manage this business more effectively.

17 Q. How were Blue Cross's current Rate Relativity Factors determined for the Filing?

18 A. The current Rate Relativity Factors were determined as part of Blue Cross's 2005  
19 Class DIR Filing (see 2005 Class DIR Filing, Exhibit 1, pp. 50-51, and Exhibit 3, Schedule 27).  
20 The Rate Relativity Factors used in the 2005 Class DIR Filing are identical to those used in both

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<sup>3</sup> The term "**loss ratio**" means the amount of the premium dollar that pays claims costs. Historically, Pool I has had the highest morbidity and incurred the greatest claims costs, relative to Pool II. As filed, Pool I subscribers have a loss ratio of 99.2%, which means that for every premium dollar it collects, Blue Cross pays out \$99.20 in claims, plus expenses and other costs of about another \$13, all of which ends up being subsidized by the Pool II subscribers, who have a loss ratio as filed of only 61.4%.

1 the 2006 Class DIR Filing and the current Filing. These factors were chosen by Blue Cross with  
2 the anticipation that the higher-deductible plans would subsidize the lower-deductible plans.<sup>4</sup>

3 Q. Should the Rate Relativity Factors be changed to reflect the true underlying plan  
4 costs?

5 A. No. These types of subsidies are important to the long-term viability of the Class  
6 DIR products; however, the level of subsidy needs to be regularly reviewed and adjusted as  
7 appropriate. If subscribers in each of the plans were required to pay premiums in proportion to  
8 their actual expected claims, then the required Blue Cross rate increases for different Class DIR  
9 plans could vary dramatically. In Attachment AGBN-4, I have illustrated the potential impact on  
10 rate increases, assuming there are no changes from Blue Cross's proposal in the Filing other than  
11 to reflect actual relative plan costs. For example, Attachment AGBN-4 shows that if each plan's  
12 premium rates were based on underlying costs, then effective April 1, 2008, HealthMate Direct  
13 400 rates for Pool I would need to increase by nearly 33%, while HealthMate for HSA 5000 rates  
14 for Pool II could be decreased by as much as 81%. These types of changes would be very  
15 disruptive and would create a large burden on many Class DIR subscribers, especially in light of  
16 the fact that almost one-half of Class DIR subscribers are enrolled in the HealthMate Direct 400  
17 plan.

18 Typically, a subscriber's choice of plan reflects some self-selection, with healthier  
19 subscribers choosing higher deductibles, which is one reason why higher-deductible plans  
20 generally show lower loss ratios. If the rates charged to each group of subscribers in Class DIR  
21 were to reflect each plan's true claims costs, premium costs would be unaffordable for those  
22 subscribers who historically generate the higher claims costs, and those subscribers could not

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<sup>4</sup> Per Ronald Harris's testimony, the Rate Relativity Factors were calculated so that "anticipated differences among products is dampened or only partially reflected." (See the 2005 Class DIR Filing, Exhibit 1, p. 50.)

1 otherwise sustain their plan if rated alone based entirely on their claims costs. To keep rates  
2 affordable for all and preserve the viability of Class DIR, today's healthy subscribers who also  
3 generate lesser levels of claims costs must provide the subsidy. This practice serves the  
4 important purpose of keeping the plans affordable, in order to make them an attractive option to  
5 current subscribers and, hopefully, to attract new subscribers.

6 Q. Have you conducted any studies to measure the effect of changing the Rate  
7 Relativity Factors?

8 A. Yes, I determined how premium rates would be impacted if the Rate Relativity  
9 Factors for the HealthMate Direct 400 plan were increased slightly (2.5 percent increase), and  
10 the HealthMate for HSA 5000 plan were decreased slightly (2.5 percent decrease).

11 Q. Why do you think this could be a viable possible alternative to the Attorney  
12 General's proposed rates shown in Attachment AGBN-1?

13 A. From a practical perspective, with the exception of the HealthMate Direct 400  
14 plan, it would dampen the rate increase, making the rates more affordable for those plans. From  
15 a strategic perspective, in order to manage the viability of the Class DIR business over the long  
16 term, the deductibles and out-of-pocket limits must increase over time to keep up with cost  
17 inflation, so it is beneficial to make the higher-deductible plans more affordable. Even after fine-  
18 tuning the Rate Relativity Factors in this manner, there would continue to be substantial  
19 subsidies of the HealthMate Direct 400 plan by the higher-deductible plans.

20 Q. What would happen to the rates under this alternative scenario?

21 A. The resulting premium rates and required rate increases are shown in Attachment  
22 AGBN-5. In every case, the resulting rates under this alternative scenario would be lower than  
23 those proposed by Blue Cross in the Filing. For HealthMate Direct 400 subscribers in Pool I, the

1 resulting rates would be 14.3% higher than current rates, as compared to Blue Cross's proposed  
2 increase of approximately 15% over current rates. For HealthMate Direct 400 subscribers in  
3 Pool II, the resulting rates would be 5.7% higher than current rates, as compared to Blue Cross's  
4 proposed increase of approximately 8% over current rates. HealthMate for HSA 5000  
5 subscribers would see the biggest benefit from this alternative scenario. Pool I subscribers  
6 would receive an increase of 8.6%, rather than the 15% increase proposed by Blue Cross, and  
7 Pool II subscribers would receive an increase of approximately 0.7% rather than Blue Cross's  
8 proposed increase of 8%.

9 Q. How did you calculate the alternative rates shown in Attachment AGBN-5?

10 A. The calculations are presented in Attachment AGBN-6. This Attachment is  
11 similar to Attachment AGBN-2, described in Section IV above, and includes all of the  
12 adjustments described for Attachment AGBN-2. In addition to the changes already reflected in  
13 Attachment AGBN-2, I have also adjusted the Rate Relativity Factors in Schedules 18 and 19 of  
14 Attachment AGBN-6. Those changes flow through the other Schedules in Attachment AGBN-6  
15 to complete the rate calculations.

16 Q. What loss ratio for Pool I did you use to calculate this alternative scenario?

17 A. In Schedule 21 of Attachment AGBN-6, I chose a Pool I loss ratio of 100.5%,  
18 which results in a Pool II loss ratio of 63.2%. This was done so that the resulting rates for Pool II  
19 subscribers electing the HealthMate Direct 400 plan would be approximately the same as the  
20 Attorney General's proposed rates shown in Attachment AGBN-1. Under this alternative  
21 scenario, the Pool II subscribers would obtain a somewhat better value for their premium dollar,  
22 because the 63.2% loss ratio is higher than both the 61.4% loss ratio selected by Blue Cross and  
23 the 62.5% loss ratio underlying the Attorney General's proposed rates in Attachment AGBN-1.

1 Q. In addition to studying the Rate Relativity Factors, what is the next area you have  
2 identified that presents an opportunity for Blue Cross to better manage the Class DIR business to  
3 help assure its long-term viability?

4 A. The next area I have identified is related to plan design.

5 Q. Please explain.

6 A. In 2005, Blue Cross introduced a new portfolio of Class DIR products and  
7 required all Class DIR subscribers to choose a new plan. This created disruption for the Class  
8 DIR subscribers and a high degree of uncertainty in determination of rates for this class of  
9 subscribers, because Blue Cross had to estimate not only the proper claim costs associated with  
10 each plan, but also the likelihood of subscribers to elect a particular plan. Plan design changes  
11 are likely to occur in the future, because deductibles and out-of-pocket limits will decrease in  
12 “real value” as inflation impacts both medical costs and general consumer prices. Rather than  
13 implementing major overhauls to the portfolio from time to time, as part of its annual review of  
14 Class DIR business, Blue Cross should consider incremental plan design changes.

15 In managing the business, Blue Cross has a variety of tools available to it to help manage  
16 the long-term viability of its Class DIR plans. Two of those tools that have already been  
17 discussed include managing the relativities of rates across pools and managing the relativity of  
18 rates across different plan designs. True cost reductions (for example, expense reductions or  
19 successful affordability initiatives) are another important tool. Managing plan design features  
20 should be viewed as one additional tool that needs to be considered in Blue Cross’s annual  
21 review of its Class DIR business.

22 Q. Are there any examples of the types of things Blue Cross could do to manage the  
23 plan design more gradually and effectively for this Class of business?



1           A.     Yes, one example would be for Blue Cross to modify its HealthMate Direct 400  
2 plan to increase the deductible from \$400 to \$500, increase the in-network coinsurance from  
3 10% to 15%, and reduce the out of pocket maximum from \$2500 to \$2250. These are less  
4 expansive changes to just one of the available plans that I estimate would save 3% to 5% of  
5 claim costs for subscribers enrolled in that plan. I also note that for subscribers with large  
6 claims, this alternative plan design would actually produce lower out-of-pocket costs, along with  
7 lower premium rates.

8           Q.     What is the next area of opportunity for Blue Cross to better manage the Class  
9 DIR business you have identified?

10          A.     The next area of opportunity I have identified relates to the ability of Blue Cross  
11 to protect the Class DIR business from the impact of unusually high catastrophic claims.

12          Q.     Please explain.

13          A.     Typically, health insurers use either a pooling or reinsurance arrangement to  
14 smooth the impact of large claims in setting premium rates. These claims occur rarely, but when  
15 they do occur, they can distort the review of historical claim costs. For example, if there were  
16 one Class DIR claim in the amount of \$1 million dollars, that one claim could have a significant  
17 impact on the rate increase (as much as 2%), especially since Blue Cross sets its rates looking at  
18 a single 12-month experience period.

19          Q.     What level of pooling do you believe would be appropriate?

20          A.     Based on my review, I believe a pooling level of \$200,000 - \$250,000 would be  
21 appropriate for Class DIR.

1 Q. Please explain how this pooling concept would work relating to Class DIR?

2 A. In accordance with this pooling concept, in its review of claim experience, Blue  
3 Cross would not include any claim payments in excess of the pooling level, say \$200,000, for  
4 any one person, but would instead add a charge equal to the expected cost of claims in excess of  
5 \$200,000 based on all of Blue Cross's business.

6 Q. Is this an issue in this Filing?

7 A. No. Although I do not see this issue as a problem in the current Filing, I  
8 encourage Blue Cross to keep this suggestion in mind for future years.

9 Q. What is the next area of opportunity you have identified for Blue Cross to better  
10 manage the Class DIR business?

11 A. The next area of opportunity I have identified relates to the "Affordability  
12 Initiatives" Blue Cross has established.

13 Q. Please explain.

14 A. Blue Cross set forth numerous Affordability Initiatives in a Report that it  
15 submitted to OHIC on April 21, 2006 ("2006 Affordability Report"). When the 2006  
16 Affordability Report was initially released, the Attorney General expressed significant concerns  
17 regarding these proposed initiatives, particularly raising concerns that there was no  
18 accountability for any expenditures Blue Cross made to implement these initiatives, no targets  
19 for determining whether the initiative has been achieved, and no triggers to cease unsuccessful  
20 initiatives. In the opinion of the Attorney General, Blue Cross has done a poor job of monitoring  
21 and measuring its "Affordability Initiatives." The Attorney General expressed these concerns  
22 last year and offered four recommendations in connection with the 2006 Class DIR Filing.

23

1 Q. What were the Attorney General's recommendations?

2 A. First, the Attorney General recommended that Blue Cross should be required to  
3 prioritize the most important affordability initiatives (perhaps the top 5, for example), and put  
4 reporting and controls in place to assure that target savings are established and met. Second,  
5 Blue Cross should have a defined process in place for identifying possible new affordability  
6 initiatives, making sure they are investigated and implemented, when appropriate, with targets  
7 and measurements in place to ensure that each affordability initiative is properly managed.  
8 Third, there needs to be a defined process in place for deleting ineffective affordability initiatives  
9 from the list. Fourth, it would be useful for Blue Cross to select certain affordability initiatives  
10 for audit in order to obtain an independent evaluation of their effectiveness and further  
11 opportunities for improvement. These recommendations are still appropriate, and based on Blue  
12 Cross's submission this year, it appears they have made some progress, but still need to do more.

13 Q. Regarding your first recommendation, what opinions do you have with respect to  
14 Blue Cross's prioritization of its Affordability Initiatives?

15 A. In its 2007 Annual Affordability Report ("2007 Affordability Report"), Blue  
16 Cross made an effort to prioritize the affordability initiatives, as summarized in Appendix C to  
17 that Report. There were eight Affordability Initiatives classified as Priority 1 in the 2007  
18 Affordability Report. This seems to be a large number of top priorities to be managing  
19 simultaneously, and Blue Cross has not made clear why it has chosen these initiatives to be  
20 Priority 1 ("Major corporate project with high level of financial commitment"). The 2007  
21 Affordability Report provides a description of each of those initiatives; however, there are no  
22 quantified targets or measures associated with those initiatives.

1 Q. Are there any specific examples to which you can direct the Hearing Officers?

2 A. Yes. One example relates to the Specialty Pharmacy Program.

3 Q. Please explain.

4 A. This initiative is problematic in that there is no identification of what percentage  
5 of pharmacy expenses, or what percentage of total claim expenses, fall into this category, or what  
6 percentage of savings might be reasonable to expect. Blue Cross does not even identify how  
7 many subscribers it believes would be impacted by this initiative.

8 Q. Why is this type of information important?

9 A. This type of information would help to evaluate the impact of this initiative. Blue  
10 Cross should have reasonable and measurable criteria for determining priorities of its  
11 Affordability Initiatives. For example, high-priority initiatives should be those that are expected  
12 to have either a significant dollar impact or a meaningful impact on a large number of  
13 subscribers.

14 Q. Do you have any further opinions regarding Blue Cross's Affordability Initiatives?

15 A. Yes.

16 Q. What are they?

17 A. From my review of Blue Cross's recent affordability reports, it appears that Blue  
18 Cross has identified some new affordability initiatives to add to the list, as well as certain old  
19 initiatives that should be removed from the list. The Attorney General again encourages Blue  
20 Cross to establish quantified targets and measurements for each Affordability Initiative to assure  
21 that it is properly managed.

22

1 Q. Why?

2 A. Blue Cross's failure to focus on the effectiveness of its Affordability Initiatives is  
3 reflected in the fact that Blue Cross continues to report savings on many of its Affordability  
4 Initiatives without netting out the corresponding expenses (see Blue Cross's responses to Data  
5 Requests AG 1-30, 31, 33, and 34). Clearly, to measure the true value of its Affordability  
6 Initiatives, Blue Cross should be required to focus on managing the net savings to understand the  
7 true value of these programs and to cease those programs that have no value to the subscribers  
8 who are being forced to pay their costs. It is unreasonable and unfair for Blue Cross to continue  
9 to ask its subscribers to pay for the costs of Blue Cross's affordability "ideas" and "concepts",  
10 without any level of accountability for, or measurement of, their success, or means to cease  
11 continuing with unsuccessful initiatives. By putting these types of mechanisms into place, the  
12 process of identifying new initiatives and deleting old initiatives can become more rigorous and  
13 efficient.

14 Q. In connection with last year's 2006 Class DIR Filing, did you recommend that  
15 some type of audit be conducted regarding Blue Cross's affordability initiatives?

16 A. Yes.

17 Q. Do you have any recommendations regarding this point relating to the current  
18 Filing?

19 A. As a means of accountability to its Class DIR subscribers, I again recommend that  
20 Blue Cross be required to conduct an independent audit of selected Affordability Initiatives  
21 and/or ongoing business practices resulting from these Initiatives.

22

1 Q. Please explain.

2 A. For one example, Blue Cross's Case Management efforts cost more to administer  
3 than Blue Cross is able to recover in claim savings (see Blue Cross's response to Data Request  
4 AG 1-34). An independent audit of those services and other related services might surface some  
5 alternatives to either increase savings or scale back the program.

6 Q. In the course of your review of the Filing, did you also review the progress of the  
7 Premium Assistance Program?

8 A. Yes.

9 Q. Do you have any opinions regarding this Program?

10 A. Yes.

11 Q. What are they?

12 A. I note that the Premium Assistance Program has grown and appears to be a very  
13 meaningful and successful effort. The Attorney General encourages Blue Cross to continue its  
14 efforts in this regard. In his pre-filed testimony (see Exhibit 5, p. 38 of the Filing), Mr. Boyd  
15 indicates that Blue Cross plans to relaunch the program under the name of "AccessBlue" to  
16 avoid the negative connotations associated with the term "Assistance". This appears to be a very  
17 good approach.

18 However, I note that the chart on page 40 of Mr. Boyd's testimony (Exhibit 5 of the  
19 Filing), which summarizes Blue Cross's Corporate Social Mission Spending for 2006, is  
20 misleading.

1 Q. Please explain.

2 A. Although this chart reflects Blue Cross's total commitment of \$9,000,000 to the  
3 Premium Assistance Program, it is also misleading because Blue Cross has reported that  
4 far less than that amount was actually spent in 2006 (or, for that matter, to date).

5 Q. Do you have any other comments regarding Blue Cross's reported spending for  
6 Corporate Social Missions?

7 A. Yes.

8 Q. What are they?

9 A. In the chart on page 40 of Mr. Boyd's testimony (Exhibit 5 of the Filing), Blue  
10 Cross also reports an expenditure of approximately \$1.4 million for "Electronic Health Records  
11 and HER-RI." Even if this organization is a not-for-profit entity, it may eventually generate a  
12 revenue stream. In this eventuality, it would seem that Blue Cross should be required to arrange  
13 for some repayment of its investment when that revenue stream becomes adequate. It would be  
14 inappropriate for Blue Cross to expend money funded by subscribers' premium dollars without  
15 taking all reasonable steps to provide for repayment of this "investment."

16 **VI. CONCLUSIONS**

17 Q. Ms. Niehus, is it your opinion, to a reasonable degree of actuarial certainty, that  
18 the alternative rates proposed by the Attorney General as shown in Attachment AGBN-1 are  
19 within the proper conduct of the business of Blue Cross and in the interests of the public?

20 A. Yes.

21 Q. Is it also your opinion, to a reasonable degree of actuarial certainty, that the rates  
22 you developed for the alternative scenario shown in Attachment AGBN-6 would also be within  
23 the proper conduct of the business of Blue Cross and in the interests of the public?

1           A.     Yes.

2           Q.     Ms. Niehus, are all of the opinions you have expressed in your prefiled testimony  
3   and attached schedules made to a reasonable degree of actuarial certainty?

4           A.     Yes.

5           Q.     Does this conclude your testimony at this time?

6           A.     Yes.



**Summary of Package Rates and Rate Changes**

**Basic (Pool I)**

		HealthMate 400			HealthMate 2000		
		BC		AG	BC		AG
		Rate Eff	Rate	Rate Eff	Rate Eff	Rate	Rate
		4/1/2007	4/1/2008	4/1/2008	4/1/2008	Change	4/1/2008
			Change	Change		Change	Change
Under 65	Individual	\$595.52	\$684.67	\$669.76	\$514.55	15.0%	\$503.37
	Family	\$1,126.39	\$1,294.77	\$1,266.62	\$974.29	15.0%	\$953.14
65 and over	Individual	\$934.75	\$1,074.81	\$1,051.41	\$702.07	15.0%	\$789.71
	Family	\$1,768.60	\$2,033.34	\$1,989.10	\$1,329.30	15.0%	\$1,495.22

**Preferred (Pool II)**

		HealthMate 400			HealthMate 2000		
		BC		AG	BC		AG
		Rate Eff	Rate	Rate Eff	Rate Eff	Rate	Rate
		4/1/2007	4/1/2008	4/1/2008	4/1/2008	Change	4/1/2008
			Change	Change		Change	Change
Under 25	Male	\$179.30	\$193.57	\$189.48	\$135.18	8.1%	\$143.01
	Female	\$249.48	\$269.29	\$263.60	\$187.85	8.0%	\$198.61
25-29	Male	\$600.59	\$648.45	\$634.75	\$452.79	8.1%	\$479.04
	Female	\$197.98	\$213.74	\$209.22	\$149.21	8.0%	\$157.81
30-34	Male	\$282.28	\$304.69	\$298.24	\$212.46	8.0%	\$224.61
	Female	\$671.53	\$725.00	\$709.67	\$506.04	8.1%	\$535.25
35-39	Male	\$225.07	\$242.96	\$237.82	\$169.53	8.0%	\$179.27
	Female	\$334.91	\$361.48	\$353.82	\$251.96	8.0%	\$266.31
40-44	Male	\$711.58	\$768.21	\$751.97	\$536.08	8.0%	\$566.98
	Female	\$257.10	\$277.53	\$271.65	\$193.57	8.0%	\$204.66
45-49	Male	\$332.26	\$358.60	\$351.01	\$249.96	8.0%	\$264.20
	Female	\$750.48	\$810.19	\$793.05	\$565.28	8.0%	\$597.81
50-54	Male	\$274.65	\$296.46	\$290.18	\$206.74	8.0%	\$218.56
	Female	\$363.15	\$391.93	\$383.63	\$273.14	8.0%	\$288.68
55-59	Male	\$766.88	\$827.89	\$810.38	\$577.58	8.0%	\$610.80
	Female	\$331.48	\$357.78	\$350.20	\$249.39	8.0%	\$263.59
60-64	Male	\$402.05	\$433.91	\$424.72	\$302.34	8.0%	\$319.50
	Female	\$807.69	\$871.92	\$853.48	\$608.20	8.0%	\$643.14
65-69	Male	\$419.21	\$452.43	\$442.85	\$315.22	8.0%	\$333.10
	Female	\$469.17	\$506.34	\$495.61	\$352.72	7.9%	\$372.69
70-74	Male	\$898.47	\$969.87	\$949.34	\$676.32	8.0%	\$715.07
	Female	\$536.31	\$578.77	\$566.51	\$403.08	7.9%	\$425.88
75-79	Male	\$535.16	\$577.54	\$565.30	\$402.22	7.9%	\$424.98
	Female	\$1,004.50	\$1,084.27	\$1,061.33	\$755.89	8.0%	\$799.09
80-84	Male	\$573.30	\$618.69	\$605.58	\$430.83	7.9%	\$455.20
	Female	\$573.30	\$618.69	\$605.58	\$430.83	7.9%	\$455.20
85-89	Male	\$1,090.71	\$1,177.28	\$1,152.36	\$820.58	8.0%	\$867.39
	Female						

**Summary of Package Rates and Rate Changes**

**Basic (Pool I)**

		HealthMate for HSA 3000				HealthMate for HSA 5000			
		BC		AG		BC		AG	
		Rate Eff 4/1/2007	Rate Eff 4/1/2008	Rate Change	Rate Eff 4/1/2008	Rate Eff 4/1/2007	Rate Eff 4/1/2008	Rate Change	Rate Eff 4/1/2008
Under 65	Individual	\$383.62	\$440.97	14.9%	\$431.39	\$303.14	\$348.41	14.9%	\$340.83
	Family	\$727.20	\$835.67	14.9%	\$817.54	\$575.56	\$661.28	14.9%	\$646.93
65 and over	Individual	\$601.51	\$691.55	15.0%	\$676.51	\$474.93	\$545.97	15.0%	\$534.09
	Family	\$1,139.67	\$1,310.04	14.9%	\$1,281.58	\$900.76	\$1,035.29	14.9%	\$1,012.79

**Preferred (Pool II)**

		HealthMate for HSA 3000				HealthMate for HSA 5000			
		BC		AG		BC		AG	
		Rate Eff 4/1/2007	Rate Eff 4/1/2008	Rate Change	Rate Eff 4/1/2008	Rate Eff 4/1/2007	Rate Eff 4/1/2008	Rate Change	Rate Eff 4/1/2008
Under 25	Male	\$116.26	\$125.56	8.0%	\$122.90	\$92.32	\$99.72	8.0%	\$97.62
	Female	\$161.34	\$174.20	8.0%	\$170.51	\$127.86	\$138.07	8.0%	\$135.15
	Family	\$389.37	\$420.57	8.0%	\$411.68	\$309.14	\$333.99	8.0%	\$326.96
25-29	Male	\$128.26	\$138.51	8.0%	\$135.58	\$101.78	\$109.93	8.0%	\$107.61
	Female	\$182.41	\$196.93	8.0%	\$192.76	\$144.47	\$155.99	8.0%	\$152.69
	Family	\$434.94	\$469.74	8.0%	\$459.80	\$345.07	\$372.76	8.0%	\$364.90
30-34	Male	\$145.66	\$157.28	8.0%	\$153.95	\$115.50	\$124.73	8.0%	\$122.10
	Female	\$216.21	\$233.41	8.0%	\$228.46	\$171.12	\$184.75	8.0%	\$180.84
	Family	\$460.66	\$497.49	8.0%	\$486.97	\$365.35	\$394.64	8.0%	\$386.32
35-39	Male	\$166.24	\$179.48	8.0%	\$175.68	\$131.73	\$142.23	8.0%	\$139.23
	Female	\$214.49	\$231.56	8.0%	\$226.65	\$169.77	\$183.29	8.0%	\$179.41
	Family	\$485.65	\$524.45	8.0%	\$513.36	\$385.06	\$415.89	8.0%	\$407.13
40-44	Male	\$177.51	\$191.64	8.0%	\$187.58	\$140.60	\$151.82	8.0%	\$148.61
	Female	\$234.34	\$252.97	7.9%	\$247.60	\$185.42	\$200.17	8.0%	\$195.94
	Family	\$496.18	\$535.82	8.0%	\$524.48	\$393.35	\$424.86	8.0%	\$415.90
45-49	Male	\$214.01	\$231.03	8.0%	\$226.13	\$169.39	\$182.87	8.0%	\$179.01
	Female	\$259.34	\$279.93	7.9%	\$273.99	\$205.12	\$221.43	8.0%	\$216.74
	Family	\$522.40	\$564.10	8.0%	\$552.16	\$414.03	\$447.15	8.0%	\$437.72
50-54	Male	\$270.36	\$291.82	7.9%	\$285.63	\$213.82	\$230.80	7.9%	\$225.92
	Female	\$302.44	\$326.45	7.9%	\$319.52	\$239.11	\$258.10	7.9%	\$252.64
	Family	\$580.70	\$627.01	8.0%	\$613.74	\$460.01	\$496.75	8.0%	\$486.27
55-59	Male	\$345.55	\$372.97	7.9%	\$365.06	\$273.11	\$294.78	7.9%	\$288.54
	Female	\$344.82	\$372.18	7.9%	\$364.28	\$272.52	\$294.16	7.9%	\$287.93
	Family	\$648.81	\$700.50	8.0%	\$685.66	\$513.69	\$554.69	8.0%	\$542.98
60-64	Male	\$369.32	\$398.61	7.9%	\$390.15	\$291.85	\$315.00	7.9%	\$308.33
	Female	\$369.32	\$398.61	7.9%	\$390.15	\$291.85	\$315.00	7.9%	\$308.33
	Family	\$704.17	\$760.24	8.0%	\$744.13	\$557.34	\$601.79	8.0%	\$589.08

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Schedule 6

Blue Cross & Blue Shield Of Rhode Island

Class DIR Basic Rate (Pool I)

Calculation of HealthMate Direct 400

Required Monthly Subscription Rates

for April 1, 2008 Billing Cycle

	(1)	(2)	(3)	Individual		Family	
	Monthly Base Rate (A)	Rate Tier Normalization Factor (B)	Normalized Monthly Base Rate (C)	Rate Factor (D)	Monthly Subscription Rate (E)	Rate Factor (D)	Monthly Subscription Rate (F)
Required Rate							
Under 65	\$838.51	0.9865	\$849.98	0.784	\$669.76	1.477	\$1,266.62
Ages 65 and Over	\$838.51	0.9865	\$849.98	1.233	\$1,051.41	2.327	\$1,989.10

Required Rate

(A) Per Schedule 18, Column 8 for HealthMate Direct 400.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product. Factor is developed in Schedule 10, Line 9.

(C) Column 1 divided by Column 2.

(D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.

(E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

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Schedule 7

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Basic Rate (Pool I)  
Calculation of HealthMate Direct 2000  
Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle

	(1)	(2)	(3)	Individual		Family	
	Monthly Base Rate (A)	Rate Tier	Normalized	Rate	Monthly	Rate	Monthly
		Normalization Factor (B)	Monthly Base Rate (C)	Factor (D)	Subscription Rate (E)	Factor (D)	Subscription Rate (F)
Required Rate							
Under 65	\$629.13	0.9865	\$637.74	0.784	\$503.37	1.477	\$953.14
Ages 65 and Over	\$629.13	0.9865	\$637.74	1.233	\$789.71	2.327	\$1,495.22

(A) Per Schedule 18, Column 8 for HealthMate Direct 2000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product.  
Factor is developed in Schedule 10, Line 9.

(C) Column 1 divided by Column 2.

(D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.

(E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

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Schedule 8

Blue Cross & Blue Shield Of Rhode Island

Class DIR Basic Rate (Pool I)

Calculation of HealthMate for HSA 3000 Required

Monthly Subscription Rates

for April 1, 2008 Billing Cycle

	(1)	(2)	(3)	Individual		Family	
	<u>Monthly Base Rate</u> (A)	<u>Rate Tier Normalization Factor</u> (B)	<u>Normalized Monthly Base Rate</u> (C)	<u>Rate Factor</u> (D)	<u>Monthly Subscription Rate</u> (E)	<u>Rate Factor</u> (D)	<u>Monthly Subscription Rate</u> (F)
<i>Required Rate</i>							
Under 65	\$538.56	0.9865	\$545.93	0.784	\$431.39	1.477	\$817.54
Ages 65 and Over	\$538.56	0.9865	\$545.93	1.233	\$676.51	2.327	\$1,281.58

Required Rate

(A) Per Schedule 18, Column 8 for HealthMate for HSA 3000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product.

Factor is developed in Schedule 10, Line 9.

(C) Column 1 divided by Column 2.

(D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.

(E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

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Schedule 9

Blue Cross & Blue Shield Of Rhode Island

Class DIR Basic Rate (Pool I)

Calculation of HealthMate for HSA 5000 Required

Monthly Subscription Rates

for April 1, 2008 Billing Cycle

	(1)	(2)	(3)	Individual		Family	
	<u>Monthly Base Rate</u> (A)	<u>Rate Tier Normalization Factor</u> (B)	<u>Normalized Monthly Base Rate</u> (C)	<u>Rate</u>	<u>Monthly Subscription Rate</u>	<u>Rate</u>	<u>Monthly Subscription Rate</u>
				<u>Factor</u> (D)	<u>Rate</u> (E)	<u>Factor</u> (D)	<u>Rate</u> (F)
<i>Required Rate</i>							
Under 65	\$424.61	0.9865	\$430.42	0.784	\$340.83	1.477	\$646.93
Ages 65 and Over	\$424.61	0.9865	\$430.42	1.233	\$534.09	2.327	\$1,012.79

Required Rate

- (A) Per Schedule 18, Column 8 for HealthMate for HSA 5000.
- (B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product.  
Factor is developed in Schedule 10, Line 9.
- (C) Column 1 divided by Column 2.
- (D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.
- (E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).
- (F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

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Schedule 10

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Basic Rate (Pool I)  
**Calculation of Rate Tier Normalization Factor**

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	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Base Period Contract Months</u>					
<u>Rate Tier</u>	<u>Rate Factor</u> (A)	<u>HealthMate Direct 400</u>	<u>HealthMate Direct 2000</u>	<u>HealthMate for HSA 3000</u>	<u>HealthMate for HSA 5000</u>	<u>Total</u>
1. Individual: Under 65	0.784	21,441	7,683	11,373	3,123	
2. Family: Under 65	1.477	8,324	3,478	4,328	919	
3. Individual: 65 and Over	1.233	565	36	125	54	
4. <u>Family: 65 and Over</u>	2.327	<u>136</u>	<u>0</u>	<u>0</u>	<u>0</u>	
5. Total		30,466	11,197	15,826	4,096	61,585
6. Rate Relativity Factor (B)		0.861	0.646	0.553	0.436	
7. Rate Tier and Rate Relativity Adjusted Contract Months (C)		25,931	7,238	8,551	1,688	43,408
8. Rate Relativity Adjusted Contract Months (D)		26,231	7,233	8,752	1,786	44,002
9. <b>Rate Tier Normalization Factor (E)</b>						<b>0.9865</b>

(A) Factors are unchanged from the previous Direct Pay rate filing.

(B) Per Schedule 18, Column 3.

(C) The sum of the products of Column 1 and Columns 2 through 5 times the Rate Relativity Factor (Line 6) for each respective insurance product.

(D) Line 5 times Line 6.

(E) Line 7 divided by Line 8.

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Schedule 12**

**Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)  
Calculation of HealthMate Direct 400 Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle**

(i)	Required Monthly Base Rate	\$409.66 (A)
(ii)	Rate Tier Normalization Factor	1.0170 (B)
(iii)	<b>Normalized Required Monthly Base Rate</b>	<b>\$402.81 (C)</b>

Age Category	(1)	(2)	(3)	(4)	(5)	(6)
	Individual				Family	
	Male		Female		Male/Female	
	Rate Factor (D)	Required Monthly Subscription Rate (E)	Rate Factor (D)	Required Monthly Subscription Rate (F)	Rate Factor (D)	Required Monthly Subscription Rate (G)
Under 25	0.462	\$189.48	0.646	\$263.60	1.548	\$634.75
25-29	0.511	\$209.22	0.732	\$298.24	1.734	\$709.67
30-34	0.582	\$237.82	0.870	\$353.82	1.839	\$751.97
35-39	0.666	\$271.65	0.863	\$351.01	1.941	\$793.05
40-44	0.712	\$290.18	0.944	\$383.63	1.984	\$810.38
45-49	0.861	\$350.20	1.046	\$424.72	2.091	\$853.48
50-54	1.091	\$442.85	1.222	\$495.61	2.329	\$949.34
55-59	1.398	\$566.51	1.395	\$565.30	2.607	\$1,061.33
60-64	1.495	\$605.58	1.495	\$605.58	2.833	\$1,152.36
65+		\$1,051.41 (H)		\$1,051.41 (H)		\$1,989.10 (H)

(A) Per Schedule 19, Column 8 for HealthMate Direct 400.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product. Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.



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Schedule 13

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)  
**Calculation of HealthMate Direct 2000 Required Monthly Subscription Rates**  
for April 1, 2008 Billing Cycle

(i)	Required Monthly Base Rate	\$307.36 (A)
(ii)	Rate Tier Normalization Factor	1.0170 (B)
(iii)	<b>Normalized Required Monthly Base Rate</b>	<b>\$302.22 (C)</b>

	(1)	(2)	(3)	(4)	(5)	(6)
	Individual				Family	
	Male		Female		Male/Female	
Age Category	Rate Factor (D)	Required Monthly Subscription Rate (E)	Rate Factor (D)	Required Monthly Subscription Rate (F)	Rate Factor (D)	Required Monthly Subscription Rate (G)
Under 25	0.462	\$143.01	0.646	\$198.61	1.548	\$479.04
25-29	0.511	\$157.81	0.732	\$224.61	1.734	\$535.25
30-34	0.582	\$179.27	0.870	\$266.31	1.839	\$566.98
35-39	0.666	\$204.66	0.863	\$264.20	1.941	\$597.81
40-44	0.712	\$218.56	0.944	\$288.68	1.984	\$610.80
45-49	0.861	\$263.59	1.046	\$319.50	2.091	\$643.14
50-54	1.091	\$333.10	1.222	\$372.69	2.329	\$715.07
55-59	1.398	\$425.88	1.395	\$424.98	2.607	\$799.09
60-64	1.495	\$455.20	1.495	\$455.20	2.833	\$867.39
65+		\$789.71 (H)		\$789.71 (H)		\$1,495.22 (H)

(A) Per Schedule 19, Column 8 for HealthMate Direct 2000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product. Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.

**AGBN-2  
Schedule 14**

**Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)**

**Calculation of HealthMate for HSA 3000 Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle**

(i)	Required Monthly Base Rate	\$263.11 (A)
(ii)	Rate Tier Normalization Factor	1.0170 (B)
(iii)	Normalized Required Monthly Base Rate	\$258.71 (C)

	(1)	(2)	(3)	(4)	(5)	(6)
	Individual				Family	
	Male		Female		Male/Female	
Age Category	Rate Factor (D)	Required Monthly Subscription Rate (E)	Rate Factor (D)	Required Monthly Subscription Rate (F)	Rate Factor (D)	Required Monthly Subscription Rate (G)
Under 25	0.462	\$122.90	0.646	\$170.51	1.548	\$411.68
25-29	0.511	\$135.58	0.732	\$192.76	1.734	\$459.80
30-34	0.582	\$153.95	0.870	\$228.46	1.839	\$486.97
35-39	0.666	\$175.68	0.863	\$226.65	1.941	\$513.36
40-44	0.712	\$187.58	0.944	\$247.60	1.984	\$524.48
45-49	0.861	\$226.13	1.046	\$273.99	2.091	\$552.16
50-54	1.091	\$285.63	1.222	\$319.52	2.329	\$613.74
55-59	1.398	\$365.06	1.395	\$364.28	2.607	\$685.66
60-64	1.495	\$390.15	1.495	\$390.15	2.833	\$744.13
65+		\$676.51 (H)		\$676.51 (H)		\$1,281.58 (H)

(A) Per Schedule 19, Column 8 for HealthMate for HSA 3000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product. Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.

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Schedule 15

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)

**Calculation of HealthMate for HSA 5000 Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle**

(i)	Required Monthly Base Rate	\$207.45 (A)
(ii)	Rate Tier Normalization Factor	1.0170 (B)
(iii)	<b>Normalized Required Monthly Base Rate</b>	<b>\$203.98 (C)</b>

	(1)	(2)	(3)	(4)	(5)	(6)
	Individual				Family	
	Male		Female		Male/Female	
Age Category	Rate Factor (D)	Required Monthly Subscription Rate (E)	Rate Factor (D)	Required Monthly Subscription Rate (F)	Rate Factor (D)	Required Monthly Subscription Rate (G)
Under 25	0.462	\$97.62	0.646	\$135.15	1.548	\$326.96
25-29	0.511	\$107.61	0.732	\$152.69	1.734	\$364.90
30-34	0.582	\$122.10	0.870	\$180.84	1.839	\$386.32
35-39	0.666	\$139.23	0.863	\$179.41	1.941	\$407.13
40-44	0.712	\$148.61	0.944	\$195.94	1.984	\$415.90
45-49	0.861	\$179.01	1.046	\$216.74	2.091	\$437.72
50-54	1.091	\$225.92	1.222	\$252.64	2.329	\$486.27
55-59	1.398	\$288.54	1.395	\$287.93	2.607	\$542.98
60-64	1.495	\$308.33	1.495	\$308.33	2.833	\$589.08
65+		\$534.09 (H)		\$534.09 (H)		\$1,012.79 (H)

(A) Per Schedule 19, Column 8 for HealthMate for HSA 5000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product. Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.

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**Schedule 16**

**Blue Cross & Blue Shield Of Rhode Island**

**Class DIR Preferred Rate (Pool II)**

**Calculation of Rate Tier Normalization Factor**

	(1)	(2)	(3)	(4)	(5)	(6)
		<b>Base Period Contract Months</b>				
	<b>Rate</b>	<b>HealthMate</b>	<b>HealthMate</b>	<b>HealthMate</b>	<b>HealthMate</b>	
	<b>Factor</b>	<b>Direct</b>	<b>Direct</b>	<b>for HSA</b>	<b>for HSA</b>	
<b>Rate Tier</b>	<b>(A)</b>	<b>400</b>	<b>2000</b>	<b>3000</b>	<b>5000</b>	<b>Total</b>
1. Individual Male: Under 25	0.462	3,275	1,082	2,151	240	
2. Individual Male: 25-29	0.511	2,755	637	1,777	217	
3. Individual Male: 30-34	0.582	1,248	269	609	112	
4. Individual Male: 35-39	0.666	1,346	228	629	92	
5. Individual Male: 40-44	0.712	1,365	304	587	129	
6. Individual Male: 45-49	0.861	1,233	266	762	258	
7. Individual Male: 50-54	1.091	998	325	633	305	
8. Individual Male: 55-59	1.398	564	269	484	287	
9. Individual Male: 60-64	1.495	454	105	219	113	
10. Individual Female: Under 25	0.646	1,881	1,039	1,410	201	
11. Individual Female: 25-29	0.732	1,601	745	1,013	274	
12. Individual Female: 30-34	0.870	742	290	367	108	
13. Individual Female: 35-39	0.863	671	311	429	154	
14. Individual Female: 40-44	0.944	789	272	550	151	
15. Individual Female: 45-49	1.046	779	201	675	158	
16. Individual Female: 50-54	1.222	715	321	570	195	
17. Individual Female: 55-59	1.395	750	259	527	243	
18. Individual Female: 60-64	1.495	775	219	715	219	
19. Family: Under 25	1.548	33	10	8	8	
20. Family: 25-29	1.734	176	35	79	15	
21. Family: 30-34	1.839	434	196	167	29	
22. Family: 35-39	1.941	868	381	281	56	
23. Family: 40-44	1.984	891	397	403	113	
24. Family: 45-49	2.091	736	325	542	183	
25. Family: 50-54	2.329	604	231	349	79	
26. Family: 55-59	2.607	277	90	315	127	
27. Family: 60-64	2.833	194	96	80	35	
28. Total		26,154	8,903	16,331	4,101	55,489
29. Rate Relativity Factor (B)		0.861	0.646	0.553	0.436	
30. Rate Tier and Rate Relativity Adjusted Contract Months (C)		22,565	6,098	9,018	2,074	39,755
31. Rate Relativity Adjusted Contract Months (D)		22,519	5,751	9,031	1,788	39,089
32. Rate Tier Normalization Factor (E)						1.0170

(A) Factors are unchanged from the previous Direct Pay rate filing.

(B) Per Schedule 19, Column 3.

(C) The sum of the products of Column 1 and Columns 2 through 5 times the Rate Relativity Factor (Line 29) for each respective insurance product.

(D) Line 28 times Line 29.

(E) Line 30 divided by Line 31.

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Schedule 18

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I)  
Calculation of Required Monthly Base Rates  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Contract Months (A)	Composite Required Monthly Base Rate (B)	Rate Relativity Factor (C)	Required Monthly Base Rate Without Wellness Health Benefit (E)	Monthly Reward for Wellness Health Benefit Participants (F)	Projected Wellness Health Benefit Plan Participation Rate (G)	Net Premium Collected After Wellness Health Benefit Reward (H)	Required Monthly Base Rate With Wellness Health Benefit (I)
HealthMate Direct 400	30,466	0.861 (C)	\$838.51	\$0.00	0%	\$838.51	\$838.51
HealthMate Direct 2000	11,197	0.646 (C)	\$629.13	\$0.00	0%	\$629.13	\$629.13
HealthMate for HSA 3000	15,826	0.553 (C)	\$538.56	\$0.00	0%	\$538.56	\$538.56
HealthMate for HSA 5000	4,096	0.436 (C)	\$424.61	\$0.00	0%	\$424.61	\$424.61
Composite	61,585	0.7145 (D)	\$695.84			\$695.84	\$695.84

(A) Base period contract months.

(B) Schedule 21, Column 6 for Preferred Rates (Pool II).

(C) Rate Relativity Factors are unchanged from previous Direct Pay rate filing.

(D) Column 3 weighted by contract months in Column 1.

(E) Column 2 times Column 3 divided by the composite of Column 3.

(F) Wellness Health Benefit Plan was eliminated

(G) Wellness Health Benefit Plan was eliminated

(H) Column 4 times (1 minus Column 6) plus (Column 4 minus Column 5) times Column 6.

(I) Accounts for loss of revenue due to Wellness Health Benefit Plan. Calculated as: Column 4 times composite of Column 4 divided by Composite of Column 7.

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Schedule 19

Blue Cross and Blue Shield of Rhode Island  
Class DIR Preferred Rate (Pool II)  
Calculation of Required Monthly Base Rates  
for April 1, 2008 Billing Cycle

(1) Contract Months (A)	(2) Composite Required Monthly Base Rate (B)	(3) Rate Relativity Factor (C)	(4) Required Monthly Base Rate Without Wellness Health Benefit (E)	(5) Monthly Reward for Wellness Health Benefit Participants (F)	(6) Projected Wellness Health Benefit Plan Participation Rate (G)	(7) Net Premium Collected After Wellness Health Benefit Reward (H)	(8) Required Monthly Base Rate With Wellness Health Benefit (I)
HealthMate Direct 400	26,154	0.861 (C)	\$409.68	\$0.00	0%	\$409.68	\$409.66
HealthMate Direct 2000	8,903	0.646 (C)	\$307.38	\$0.00	0%	\$307.38	\$307.36
HealthMate for HSA 3000	16,331	0.553 (C)	\$263.13	\$0.00	0%	\$263.13	\$263.11
HealthMate for HSA 5000	4,101	0.436 (C)	\$207.46	\$0.00	0%	\$207.46	\$207.45
Composite	55,489	0.7044 (D)	\$335.17			\$335.19	\$335.17

(A) Base period contract months.

(B) Schedule 21, Column 6 for Preferred Rates (Pool II).

(C) Rate Relativity Factors are unchanged from previous Direct Pay rate filing.

(D) Column 3 weighted by contract months in Column 1.

(E) Column 2 times Column 3 divided by the composite of Column 3.

(F) Wellness Health Benefit Plan was eliminated

(G) Wellness Health Benefit Plan was eliminated

(H) Column 4 times (1 minus Column 6) plus (Column 4 minus Column 5) times Column 6.

(I) Accounts for loss of revenue due to Wellness Health Benefit Plan. Calculated as: Column 4 times composite of Column 4 divided by Composite of Column 7.

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Schedule 20

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Rate Change Comparison of Minimum Pool II Loss Ratio and Proposed Loss Ratios  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	70% Loss Ratio for Pool II		Required Loss Ratio		Experience Adjusted Loss Ratio		(9)
				70% Loss Ratio for Pool II	70% Loss Ratio for Pool II	Rate Change (I)	Base Rate (H)	Experience Adjusted Basis (J)	Composite Required Monthly Base Rate (L)	Rate Change (M)
Contract Months (A)	Present Rate Income PCPM	Projected Incurred Claims Including Mandates (E)		70% Loss Ratio for Pool II	70% Loss Ratio for Pool II	Rate Change (I)	Base Rate (H)	Experience Adjusted Basis (J)	Composite Required Monthly Base Rate (L)	Rate Change (M)
Basic Rates (Pool I)	61,585	(B) \$702.80	(F) 0.9650			17.7%	\$728.29	1.0100	\$695.84	12.5%
Preferred Rates (Pool II)	55,489	(C) \$209.38	(G) 0.7000			-5.8%	\$299.11	0.6247	\$335.17	5.6%
Composite	117,074	(D) \$468.94	0.8934			10.3%	\$524.90	0.8934	\$524.90	10.3%

(A) Base period contract months.

(B) Weighted average present rate income for Basic Rates effective April 1, 2007.

(C) Weighted average present rate income for Preferred Rates effective April 1, 2007.

(D) Weighted by contract months in Column 1.

(E) Per Schedule 23, Column 4.

(F) Loss ratio required to achieve the composite required loss ratio after Preferred Rates (Pool II) loss ratio is set to .70. Calculated as: (Column 1 times Column 3 for Pool I) divided by [(Column 1 times Column 3 divided by Column 4 for Total Class DIR) minus (Column 1 times Column 3 divided by Column 4 for Pool II)].

(G) Minimum 70% Loss Ratio per last rate decision.

(H) Column 3 divided by Column 4.

(I) Column 5 divided by Column 2. Note that this does not include Organ Transplant and is prior to the incorporating the impact of Wellness Health Benefit Plan; the percent changes are on a consistent basis as Column 9.

(J) Per Schedule 21, Column 5

(K) Per Schedule 21, Column 6

(L) Column 3 divided by Column 7.

(M) Column 8 divided by Column 2. Note that this does not include Organ Transplant and is prior to the incorporating the impact of Wellness Health Benefit Plan; the percent changes are on a consistent basis as Column 6.

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Schedule 21

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Calculation of Composite Required Monthly Base Rates  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)
Contract Months (A)	Projected Incurred Claims Including Mandates (B)	Required Loss Ratio			Composite Required Monthly Base Rate (G)
		Full Experience Basis (C)	Current Pool Rate Alignment Basis (D)	Experience Adjusted Basis (E)	
Basic Rates (Pool I)	61,585	0.9237	1.0299	1.0100	\$695.84
<u>Preferred Rates (Pool II)</u>	<u>55,489</u>	<u>0.7962</u>	<u>0.5981</u>	<u>0.6247</u>	<u>\$335.17</u>
Composite	117,074	0.8934	0.8934	0.8934	\$524.90

(A) Base period contract months.

(B) Per Schedule 23, Column 4.

(C) Per Schedule 23, Column 11.

(D) Per Schedule 22, Column 6.

(E) Required loss ratio after adjustment to current pool rate alignment basis loss ratio. Chosen to cap the Pool I rate increase at 12.5%.  
Determined by iteration.

(F) Loss ratio required to achieve the composite required loss ratio after Basic Rates (Pool I) loss ratio is experience adjusted. Calculated as: (Column 1 times Column 2 for Pool II) divided by [(Column 1 times Column 2 divided by Column 5 for Total Class DIR) minus (Column 1 times Column 2 divided by Column 5 for Pool I)].

(G) Column 2 divided by Column 5.

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Schedule 22

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Calculation of Required Loss Ratios on Current Pool Rate Alignment Basis  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)
Contract Months (A)	Projected Incurred Claims Including Mandates (B)	Required Income PCPM (C)	Present Rate Income PCPM (D)	Current Pool Rate Alignment Basis	
				Required Income PCPM (G)	Required Loss Ratio (H)
Basic Rates (Pool I)	61,585	\$702.80	\$618.67 (D)	\$682.42	1.0299
<u>Preferred Rates (Pool II)</u>	<u>55,489</u>	<u>\$209.38</u>	<u>\$317.38 (E)</u>	<u>\$350.08</u>	<u>0.5981</u>
Composite	117,074	\$524.90	\$475.87 (F)	\$524.90	0.8934

(A) Base period contract months.

(B) Per Schedule 23, Column 4.

(C) Per Schedule 23, Column 10.

(D) Weighted average present rate income for Basic Rates effective April 1, 2007.

(E) Weighted average present rate income for Preferred Rates effective April 1, 2007.

(F) Weighted by contract months in Column 1.

(G) Required Income PCPM, adjusted to reflect current rate alignment between Pools I and II. Calculated as: (Column 3 composite) times (Column 4 divided by Column 4 composite).

(H) Column 2 divided by Column 5.

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Schedule 23

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Calculation of Required Loss Ratios on Full Experience Basis  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Contract Months (A)	Projected Incurred Claims Expense PCPM (B)	State Assessments Impact (E)	Projected Incurred Claims Including Assessments (F)	Administrative Expense PCPM (G)	Projected Incurred Claims and Administrative Expense PCPM (H)	Investment Income Credit PCPM (I)	New System Expense (J)	Contribution to Reserve/ Tax Liability PCPM (K)	Required Income PCPM (L)	Required Loss Ratio (M)
Basic Rates (Pool I)	61,585	1.0112	\$702.80	\$51.23	\$754.03	(\$1.51)	\$0.00	\$8.37	\$760.89	0.9237
Preferred Rates (Pool II)	55,489	1.0112	\$209.38	\$51.23	\$260.61	(\$0.52)	\$0.00	\$2.89	\$262.98	0.7962
Composite	117,074		\$468.94	\$51.23	\$520.17	(\$1.04)	\$0.00	\$5.77	\$524.90	0.8934

- (A) Base period contract months.  
 (B) Per Schedule 30, Composite of Column 2.  
 (C) Per Schedule 30, Composite of Column 4.  
 (D) Weighted by contract months in Column 1.  
 (E) Per Schedule 25, Line 5.  
 (F) Column 2 times Column 3.  
 (G) Per Schedule 47, Column 2.  
 (H) Column 4 plus Column 5.  
 (I) Reduction of required subscription income per contract month due to anticipated return on invested funds. Assumed to be 0.20% of projected incurred claims and administrative expense (Column 6 times -0.0020).  
 (J) Rating component for new "core payment system" reduced to \$.00  
 (K) 1.1% state premium assessment. ((Column 6 plus Column 7) divided by 0.989) minus (Column 6 plus Column 7)  
 (L) Sum of Columns 6 through 9.  
 (M) Column 4 divided by Column 10.

AGBN-2  
Schedule 50

**Blue Cross and Blue Shield of Rhode Island**  
**Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)**  
**Organ Transplant**  
**Calculation of Required Monthly Subscription Rates**

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	(1)	(2)	(3)	(4)
	<u>Solid Organ Transplant</u>		<u>Bone Marrow Transplant</u>	
	<u>Individual</u>	<u>Family</u>	<u>Individual</u>	<u>Family</u>
1. Calendar 2008 at 90% Reinsurance Capitation per Contract Month (A)	\$1.0200	\$3.3200	\$1.9200	\$6.4200
2. Calendar Year 2008 at 10% for Blue Cross Incurred Claims Expense per Contract Month (B)	\$0.1133	\$0.3689	\$0.2133	\$0.7133
3. Total Calendar Year 2008 Capitation / Incurred Claims Expense per Contract Month (C)	\$1.1333	\$3.6889	\$2.1333	\$7.1333
4. Composite Projection Factor	1.0250 (H)	1.0250 (H)	1.0250 (I)	1.0250 (I)
5. Rate Period Capitation / Incurred Claims Expense per Contract Month (D)	\$1.1616	\$3.7811	\$2.1866	\$7.3116
6. Investment Income Credit per Contract Month (E)	(\$0.0023)	(\$0.0076)	(\$0.0044)	(\$0.0146)
7. Reserve Contribution / Federal Tax Liability / State Premium Tax Assessment/ New System Component per Contract Month (F)	\$0.0129	\$0.0420	\$0.0243	\$0.0812
8. Required Monthly Subscription Income per Contract Month (G)	<b>\$1.17</b>	<b>\$3.82</b>	<b>\$2.21</b>	<b>\$7.38</b>

(A) From BCS Insurance Company.

(B) Estimated Blue Cross incurred claims expense per contract month: (Line 1 divided by 0.90) minus Line 1.

(C) Line 1 plus Line 2.

(D) Line 3 times Line 4.

(E) Reduction of required subscription income per contract month due to anticipated return on invested funds.  
Assumed to be 0.20% of rate period capitation/incurred claims expense (Line 5 times -0.0020).

(F) 1.1% state premium tax assessment. ((Line 5 plus Line 6) divided by 0.989) minus (Line 5 plus Line 6).

(G) Sum of Lines 5 through 7, rounded to the nearest cent.

(H) Per Schedule 51, Column 2.

(I) Per Schedule 51, Column 3.

**ATTACHMENT AGBN - 3**  
**Blue Cross and Blue Shield of Rhode Island**  
**IR Basic Rate (Pool D) and Preferred Rate (Pool E)**

BLUE CROSS'S PROPOSED RATES (Filing Schedules)									
(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)	(9)
Rate Relativity Factor	(A)	Pool I			Loss Ratio (E)	Contract Months (B)	Pool II		
		Contract Months (B)	Required Monthly Base Rate (C)	Projected Paid Claims (D)			Required Monthly Base Rate (F)	Projected Paid Claims (D)	Loss Ratio (G)
HealthMate Direct 400	0.861	30,466	857.18	978.58	114.2%	26,154	418.54	332.59	79.5%
HealthMate Direct 2000	0.646	11,197	643.13	451.93	70.3%	8,903	314.02	144.80	46.1%
HealthMate for HSA 3000	0.553	15,826	550.55	508.50	92.4%	16,331	268.82	94.20	35.0%
<u>HealthMate for HSA 5000</u>	0.436	4,096	<u>434.07</u>	<u>88.09</u>	<u>20.3%</u>	4,101	<u>211.94</u>	<u>22.37</u>	<u>10.6%</u>
Composite		61,585	711.32	702.80	98.8%	55,489	342.44	209.38	61.1%
(A) From Schedules 18 and 19									
(B) From Schedule 30									
(C) From Schedule 18, column (8)									
(D) From Schedule 30, increased by a factor of 1.0112 to reflect mandates (per Schedule 25)									
(E) Column 4 / Column 3									
(F) From Schedule 19, column (8)									
(G) Column 8 / Column 7									

**ATTACHMENT AGBN - 4**

**Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)**

**Illustrative Rate Increases Reflecting Actual Relative Plan Costs**

**BLUE CROSS'S PROPOSED RATES**

(From Filing Schedules)

(From Filing Schedules)	(1)	(2)	(3)	(4)		(5)	(6)
				Pool I			
	Required Monthly Base Rate	Projected Paid Claims	Required Loss Ratio	Monthly Base Rate Using Required Loss Ratio	Blue Cross Requested Rate Increase	Required Increase to Reflect Actual Costs	
	(A)	(B)	(C)	(D)	(E)	(F)	
HealthMate Direct 400	857.18	978.58	98.80%	990.45	15.0%	32.9%	
HealthMate Direct 2000	643.13	451.93	98.80%	457.41	15.0%	-18.2%	
HealthMate for HSA 3000	550.55	508.50	98.80%	514.67	15.0%	7.5%	
HealthMate for HSA 5000	434.07	88.09	98.80%	89.15	15.0%	-76.4%	

(A) From Schedule 30, times 1.0112 to reflect mandates (per Schedule 25)

(B) From Schedule 18, column (8)

(C) Blue Cross Composite Loss Ratio from AGBN - 1 (column 5)

(D) From Blue Cross response to Data Request AG1-5

(E) [Column 4 / (Column 1 / (1 + Column 5))] minus 1

	(1)	(2)	(3)	(4)		(5)	(6)
	Required Monthly Base Rate	Projected Paid Claims	Required Loss Ratio	Pool II		Blue Cross Requested Rate Increase	Required Increase to Reflect Actual Costs
				Monthly Base Rate Using	Required Loss Ratio		
	(A)	(B)	(C)	(D)	(E)	(F)	
HealthMate Direct 400	418.54	332.59	61.14%	543.96	8.0%	40.4%	
HealthMate Direct 2000	314.02	144.80	61.14%	236.83	8.0%	-18.5%	
HealthMate for HSA 3000	268.82	94.20	61.14%	154.07	8.0%	-38.1%	
HealthMate for HSA 5000	211.94	22.37	61.14%	36.58	8.0%	-81.4%	

(A) From Schedule 30, times 1.0112 to reflect mandates (per Schedule 25)

(B) From Schedule 19, column (8)

(C) Blue Cross Composite Loss Ratio from AGBN - 1 (column 9)

(D) From Blue Cross response to Data Request AG1-5

(E) [Column 4 / (Column 1 / (1 + Column 5))] minus 1

**Summary of Package Rates and Rate Changes**

**Basic (Pool I)**

		HealthMate 400			HealthMate 2000		
		BC		AG	BC		AG
		Rate Eff	Rate Eff	Rate	Rate Eff	Rate	Rate
		4/1/2007	4/1/2008	Change	4/1/2007	4/1/2008	Change
Under 65	Individual	\$595.52	\$684.67	15.0%	\$514.55	15.0%	\$498.80
	Family	\$1,126.39	\$1,294.77	14.9%	\$974.29	15.0%	\$944.53
65 and over	Individual	\$934.75	\$1,074.81	15.0%	\$807.27	15.0%	\$782.53
	Family	\$1,768.60	\$2,033.34	15.0%	\$1,528.43	15.0%	\$1,481.65

**Preferred (Pool II)**

		HealthMate 400			HealthMate 2000		
		BC		AG	BC		AG
		Rate Eff	Rate Eff	Rate	Rate Eff	Rate	Rate
		4/1/2007	4/1/2008	Change	4/1/2007	4/1/2008	Change
Under 25	Male	\$179.30	\$193.57	8.0%	\$146.09	8.1%	\$139.61
	Female	\$249.48	\$269.29	7.9%	\$202.91	8.0%	\$193.86
25-29	Male	\$600.59	\$648.45	8.0%	\$489.37	8.1%	\$467.64
	Female	\$197.98	\$213.74	8.0%	\$161.22	8.0%	\$154.05
30-34	Male	\$282.28	\$304.69	7.9%	\$229.46	8.0%	\$219.22
	Female	\$671.53	\$725.00	8.0%	\$546.80	8.1%	\$522.49
35-39	Male	\$225.07	\$242.96	7.9%	\$183.14	8.0%	\$174.99
	Female	\$334.91	\$361.48	7.9%	\$272.07	8.0%	\$259.91
40-44	Male	\$711.58	\$768.21	8.0%	\$579.22	8.0%	\$553.45
	Female	\$257.10	\$277.53	7.9%	\$209.08	8.0%	\$199.76
45-49	Male	\$332.26	\$358.60	7.9%	\$269.91	8.0%	\$257.84
	Female	\$750.48	\$810.19	8.0%	\$610.71	8.0%	\$583.52
50-54	Male	\$274.65	\$296.46	7.9%	\$223.28	8.0%	\$213.32
	Female	\$363.15	\$391.93	7.9%	\$294.92	8.0%	\$281.73
55-59	Male	\$766.88	\$827.89	8.0%	\$623.99	8.0%	\$596.20
	Female	\$331.48	\$357.78	7.9%	\$269.29	8.0%	\$257.25
60-64	Male	\$402.05	\$433.91	7.9%	\$326.41	8.0%	\$311.80
	Female	\$807.69	\$871.92	8.0%	\$657.03	8.0%	\$627.75
65 and over	Male	\$419.21	\$452.43	7.9%	\$340.31	8.0%	\$325.07
	Female	\$469.17	\$506.34	7.9%	\$380.76	7.9%	\$363.70
70 and over	Male	\$898.47	\$969.87	7.9%	\$730.52	8.0%	\$697.93
	Female	\$536.31	\$578.77	7.9%	\$435.10	7.9%	\$415.59
75 and over	Male	\$535.16	\$577.54	7.9%	\$434.17	7.9%	\$414.71
	Female	\$1,004.50	\$1,084.27	7.9%	\$816.35	8.0%	\$779.90
80 and over	Male	\$573.30	\$618.69	7.9%	\$465.05	7.9%	\$444.20
	Female	\$573.30	\$618.69	7.9%	\$465.05	7.9%	\$444.20
85 and over	Male	\$1,090.71	\$1,177.28	7.9%	\$886.14	8.0%	\$846.54
	Female	\$573.30	\$618.69	7.9%	\$465.05	7.9%	\$444.20

**Summary of Package Rates and Rate Changes**

**Basic (Pool I)**

		HealthMate for HSA 3000				HealthMate for HSA 5000			
		BC		AG		BC		AG	
		Rate Eff	Rate Eff	Rate	Rate Eff	Rate Eff	Rate Eff	Rate	Rate Eff
		4/1/2007	4/1/2008	Change	4/1/2008	4/1/2007	4/1/2008	Change	4/1/2008
Under 65	Individual	\$383.62	\$440.97	14.9%	\$427.48	\$303.14	\$348.41	14.9%	\$329.31
	Family	\$727.20	\$835.67	14.9%	\$810.17	\$575.56	\$661.28	14.9%	\$625.23
65 and over	Individual	\$601.51	\$691.55	15.0%	\$670.36	\$474.93	\$545.97	15.0%	\$515.98
	Family	\$1,139.67	\$1,310.04	14.9%	\$1,269.97	\$900.76	\$1,035.29	14.9%	\$978.60

**Preferred (Pool II)**

		HealthMate for HSA 3000				HealthMate for HSA 5000			
		BC		AG		BC		AG	
		Rate Eff	Rate Eff	Rate	Rate Eff	Rate Eff	Rate Eff	Rate	Rate Eff
		4/1/2007	4/1/2008	Change	4/1/2008	4/1/2007	4/1/2008	Change	4/1/2008
Under 25	Male	\$116.26	\$125.56	8.0%	\$119.99	\$92.32	\$99.72	8.0%	\$93.00
	Female	\$161.34	\$174.20	8.0%	\$166.44	\$127.86	\$138.07	8.0%	\$128.69
25-29	Family	\$389.37	\$420.57	8.0%	\$401.93	\$309.14	\$333.99	8.0%	\$311.48
	Male	\$128.26	\$138.51	8.0%	\$132.36	\$101.78	\$109.93	8.0%	\$102.50
30-34	Female	\$182.41	\$196.93	8.0%	\$188.14	\$144.47	\$155.99	8.0%	\$145.37
	Family	\$434.94	\$469.74	8.0%	\$448.88	\$345.07	\$372.76	8.0%	\$347.56
35-39	Male	\$145.66	\$157.28	8.0%	\$150.28	\$115.50	\$124.73	8.0%	\$116.28
	Female	\$216.21	\$233.41	8.0%	\$222.98	\$171.12	\$184.75	8.0%	\$172.14
40-44	Family	\$460.66	\$497.49	8.0%	\$475.38	\$365.35	\$394.64	8.0%	\$367.93
	Male	\$166.24	\$179.48	8.0%	\$171.49	\$131.73	\$142.23	8.0%	\$132.57
45-49	Female	\$214.49	\$231.56	8.0%	\$221.21	\$169.77	\$183.29	8.0%	\$170.78
	Family	\$485.65	\$524.45	8.0%	\$501.13	\$385.06	\$415.89	8.0%	\$387.72
50-54	Male	\$177.51	\$191.64	8.0%	\$183.10	\$140.60	\$151.82	8.0%	\$141.49
	Female	\$234.34	\$252.97	7.9%	\$241.66	\$185.42	\$200.17	8.0%	\$186.50
55-59	Family	\$496.18	\$535.82	8.0%	\$511.98	\$393.35	\$424.86	8.0%	\$396.06
	Male	\$214.01	\$231.03	8.0%	\$220.71	\$169.39	\$182.87	8.0%	\$170.40
60-64	Female	\$259.34	\$279.93	7.9%	\$267.40	\$205.12	\$221.43	8.0%	\$206.28
	Family	\$522.40	\$564.10	8.0%	\$538.99	\$414.03	\$447.15	8.0%	\$416.81
65-69	Male	\$270.36	\$291.82	7.9%	\$278.76	\$213.82	\$230.80	7.9%	\$215.01
	Female	\$302.44	\$326.45	7.9%	\$311.83	\$239.11	\$258.10	7.9%	\$240.42
70-74	Family	\$580.70	\$627.01	8.0%	\$599.06	\$460.01	\$496.75	8.0%	\$462.98
	Male	\$345.55	\$372.97	7.9%	\$356.25	\$273.11	\$294.78	7.9%	\$274.56
75-79	Female	\$344.82	\$372.18	7.9%	\$355.49	\$272.52	\$294.16	7.9%	\$273.98
	Family	\$648.81	\$700.50	8.0%	\$669.23	\$513.69	\$554.69	8.0%	\$516.91
80-84	Male	\$369.32	\$398.61	7.9%	\$380.73	\$291.85	\$315.00	7.9%	\$293.38
	Female	\$369.32	\$398.61	7.9%	\$380.73	\$291.85	\$315.00	7.9%	\$293.38
85-89	Family	\$704.17	\$760.24	8.0%	\$726.28	\$557.34	\$601.79	8.0%	\$560.75

AGBN-6  
Schedule 6

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Basic Rate (Pool I)  
Calculation of HealthMate Direct 400  
Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle

	(1)	(2)	(3)	Individual		Family	
	Monthly Base Rate (A)	Rate Tier Normalization Factor (B)	Normalized Monthly Base Rate (C)	Rate Factor (D)	Monthly Subscription Rate (E)	Rate Factor (D)	Monthly Subscription Rate (F)
Required Rate							
Under 65	\$852.17	0.9866	\$863.74	0.784	\$680.55	1.477	\$1,286.94
Ages 65 and Over	\$852.17	0.9866	\$863.74	1.233	\$1,068.37	2.327	\$2,021.12

Required Rate

- (A) Per Schedule 18, Column 8 for HealthMate Direct 400.
- (B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product.  
Factor is developed in Schedule 10, Line 9.
- (C) Column 1 divided by Column 2.
- (D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.
- (E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).
- (F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).



**AGBN-6  
Schedule 7**

**Blue Cross & Blue Shield Of Rhode Island  
Class DIR Basic Rate (Pool I)  
Calculation of HealthMate Direct 2000  
Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle**

	(1)	(2)	(3)	(4)		(5)		(6)		(7)
	<u>Monthly Base Rate</u> (A)	<u>Rate Tier Normalization Factor</u> (B)	<u>Normalized Monthly Base Rate</u> (C)	<u>Individual</u>		<u>Family</u>				
				<u>Rate Factor</u> (D)	<u>Monthly Subscription Rate</u> (E)	<u>Rate Factor</u> (D)	<u>Monthly Subscription Rate</u> (F)			
<i>Required Rate</i>										
Under 65	\$623.44	0.9866	\$631.91	0.784	\$498.80	1.477	\$944.53			
Ages 65 and Over	\$623.44	0.9866	\$631.91	1.233	\$782.53	2.327	\$1,481.65			

(A) Per Schedule 18, Column 8 for HealthMate Direct 2000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product.  
Factor is developed in Schedule 10, Line 9.

(C) Column 1 divided by Column 2.

(D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.

(E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

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Schedule 8

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Basic Rate (Pool I)

Calculation of HealthMate for HSA 3000 Required  
Monthly Subscription Rates  
for April 1, 2008 Billing Cycle

	(1)	(2)	(3)	(4)		(5)		(6)		(7)
	<u>Monthly Base Rate</u> (A)	<u>Rate Tier Normalization Factor</u> (B)	<u>Normalized Monthly Base Rate</u> (C)	Individual		Family				
				<u>Rate Factor</u> (D)	<u>Monthly Subscription Rate</u> (E)	<u>Rate Factor</u> (D)	<u>Monthly Subscription Rate</u> (F)	<u>Rate Factor</u> (D)	<u>Monthly Subscription Rate</u> (F)	
<i>Required Rate</i>										
Under 65	\$533.69	0.9866	\$540.94	0.784	\$427.48	1.477	\$810.17			
Ages 65 and Over	\$533.69	0.9866	\$540.94	1.233	\$670.36	2.327	\$1,269.97			

Required Rate

(A) Per Schedule 18, Column 8 for HealthMate for HSA 3000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product.

Factor is developed in Schedule 10, Line 9.

(C) Column 1 divided by Column 2.

(D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.

(E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

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Schedule 9

Blue Cross & Blue Shield Of Rhode Island

Class DIR Basic Rate (Pool I)

Calculation of HealthMate for HSA 5000 Required

Monthly Subscription Rates  
for April 1, 2008 Billing Cycle

	(1)	(2)	(3)	(4)		(5)		(6)		(7)
	Monthly Base Rate (A)	Rate Tier Normalization Factor (B)	Normalized Monthly Base Rate (C)	Individual		Family		Rate Factor (D)	Rate Factor (D)	Monthly Subscription Rate (F)
				Rate Factor (D)	Monthly Subscription Rate (E)	Rate Factor (D)	Monthly Subscription Rate (E)			
Required Rate										
Under 65	\$410.16	0.9866	\$415.73	0.784	\$329.31	1.477	\$625.23			
Ages 65 and Over	\$410.16	0.9866	\$415.73	1.233	\$515.98	2.327	\$978.60			

(A) Per Schedule 18, Column 8 for HealthMate for HSA 5000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age and contract type and product.  
Factor is developed in Schedule 10, Line 9.

(C) Column 1 divided by Column 2.

(D) Factor to convert monthly normalized base rate to monthly subscription rates for Individual and Family and Under 65 and Ages 65 and Over rating categories. Factors are unchanged from the previous Direct Pay rate filing.

(E) Column 3 times Column 4 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Column 3 times Column 6 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

AGBN-6  
Schedule 10

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Basic Rate (Pool I)  
**Calculation of Rate Tier Normalization Factor**

	(1)	(2)	(3)	(4)	(5)	(6)
		<u>Base Period Contract Months</u>				
<u>Rate Tier</u>	<u>Rate Factor</u> (A)	<u>HealthMate Direct 400</u>	<u>HealthMate Direct 2000</u>	<u>HealthMate for HSA 3000</u>	<u>HealthMate for HSA 5000</u>	<u>Total</u>
1. Individual: Under 65	0.784	21,441	7,683	11,373	3,123	
2. Family: Under 65	1.477	8,324	3,478	4,328	919	
3. Individual: 65 and Over	1.233	565	36	125	54	
4. <u>Family: 65 and Over</u>	2.327	<u>136</u>	<u>0</u>	<u>0</u>	<u>0</u>	
5. Total		30,466	11,197	15,826	4,096	61,585
6. Rate Relativity Factor (B)		0.883	0.646	0.553	0.425	
7. Rate Tier and Rate Relativity Adjusted Contract Months (C)		26,594	7,238	8,551	1,646	44,029
8. Rate Relativity Adjusted Contract Months (D)		26,901	7,233	8,752	1,741	44,627
9. Rate Tier Normalization Factor (E)						0.9866

(A) Factors are unchanged from the previous Direct Pay rate filing.

(B) Per Schedule 18, Column 3.

(C) The sum of the products of Column 1 and Columns 2 through 5 times the Rate Relativity Factor (Line 6) for each respective insurance product.

(D) Line 5 times Line 6.

(E) Line 7 divided by Line 8.

**AGBN-6  
Schedule 12**

**Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)  
Calculation of HealthMate Direct 400 Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle**

(i)	Required Monthly Base Rate	\$409.72 (A)
(ii)	Rate Tier Normalization Factor	1.0166 (B)
(iii)	Normalized Required Monthly Base Rate	\$403.03 (C)

Age Category	(1)	(2)	(3)	(4)	(5)	(6)
	Individual				Family	
	Male		Female		Male/Female	
	Rate Factor (D)	Required Monthly Subscription Rate (E)	Rate Factor (D)	Required Monthly Subscription Rate (F)	Rate Factor (D)	Required Monthly Subscription Rate (G)
Under 25	0.462	\$189.58	0.646	\$263.74	1.548	\$635.09
25-29	0.511	\$209.33	0.732	\$298.40	1.734	\$710.05
30-34	0.582	\$237.94	0.870	\$354.02	1.839	\$752.37
35-39	0.666	\$271.80	0.863	\$351.19	1.941	\$793.48
40-44	0.712	\$290.34	0.944	\$383.84	1.984	\$810.81
45-49	0.861	\$350.39	1.046	\$424.95	2.091	\$853.94
50-54	1.091	\$443.09	1.222	\$495.88	2.329	\$949.86
55-59	1.398	\$566.82	1.395	\$565.61	2.607	\$1,061.90
60-64	1.495	\$605.91	1.495	\$605.91	2.833	\$1,152.98
65+		\$1,068.37 (H)		\$1,068.37 (H)		\$2,021.12 (H)

(A) Per Schedule 19, Column 8 for HealthMate Direct 400.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product.  
Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.

**AGBN-6  
Schedule 13**

**Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)  
Calculation of HealthMate Direct 2000 Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle**

(i)	Required Monthly Base Rate	\$299.75 (A)
(ii)	Rate Tier Normalization Factor	1.0166 (B)
(iii)	Normalized Required Monthly Base Rate	\$294.86 (C)

	(1)	(2)	(3)	(4)	(5)	(6)
	<b>Individual</b>				<b>Family</b>	
	<b>Male</b>		<b>Female</b>		<b>Male/Female</b>	
		<b>Required Monthly Subscription Rate</b>		<b>Required Monthly Subscription Rate</b>		<b>Required Monthly Subscription Rate</b>
<b>Age Category</b>	<b>Rate Factor (D)</b>	<b>Rate (E)</b>	<b>Rate Factor (D)</b>	<b>Rate (F)</b>	<b>Rate Factor (D)</b>	<b>Rate (G)</b>
Under 25	0.462	\$139.61	0.646	\$193.86	1.548	\$467.64
25-29	0.511	\$154.05	0.732	\$219.22	1.734	\$522.49
30-34	0.582	\$174.99	0.870	\$259.91	1.839	\$553.45
35-39	0.666	\$199.76	0.863	\$257.84	1.941	\$583.52
40-44	0.712	\$213.32	0.944	\$281.73	1.984	\$596.20
45-49	0.861	\$257.25	1.046	\$311.80	2.091	\$627.75
50-54	1.091	\$325.07	1.222	\$363.70	2.329	\$697.93
55-59	1.398	\$415.59	1.395	\$414.71	2.607	\$779.90
60-64	1.495	\$444.20	1.495	\$444.20	2.833	\$846.54
65+		\$782.53 (H)		\$782.53 (H)		\$1,481.65 (H)

(A) Per Schedule 19, Column 8 for HealthMate Direct 2000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product. Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.

**AGBN-6  
Schedule 14**

**Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)**

**Calculation of HealthMate for HSA 3000 Required Monthly Subscription Rates  
for April 1, 2008 Billing Cycle**

(i)	Required Monthly Base Rate	\$256.60 (A)
(ii)	Rate Tier Normalization Factor	1.0166 (B)
(iii)	Normalized Required Monthly Base Rate	\$252.41 (C)

	(1)	(2)	(3)	(4)	(5)	(6)
	<b>Individual</b>				<b>Family</b>	
	<b>Male</b>		<b>Female</b>		<b>Male/Female</b>	
<b>Age Category</b>	<b>Rate Factor</b> (D)	<b>Required Monthly Subscription Rate</b> (E)	<b>Rate Factor</b> (D)	<b>Required Monthly Subscription Rate</b> (F)	<b>Rate Factor</b> (D)	<b>Required Monthly Subscription Rate</b> (G)
Under 25	0.462	\$119.99	0.646	\$166.44	1.548	\$401.93
25-29	0.511	\$132.36	0.732	\$188.14	1.734	\$448.88
30-34	0.582	\$150.28	0.870	\$222.98	1.839	\$475.38
35-39	0.666	\$171.49	0.863	\$221.21	1.941	\$501.13
40-44	0.712	\$183.10	0.944	\$241.66	1.984	\$511.98
45-49	0.861	\$220.71	1.046	\$267.40	2.091	\$538.99
50-54	1.091	\$278.76	1.222	\$311.83	2.329	\$599.06
55-59	1.398	\$356.25	1.395	\$355.49	2.607	\$669.23
60-64	1.495	\$380.73	1.495	\$380.73	2.833	\$726.28
65+		\$670.36 (H)		\$670.36 (H)		\$1,269.97 (H)

(A) Per Schedule 19, Column 8 for HealthMate for HSA 3000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product. Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.

AGBN-6  
Schedule 15

Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)  
**Calculation of HealthMate for HSA 5000 Required Monthly Subscription Rates**  
for April 1, 2008 Billing Cycle

(i)	Required Monthly Base Rate	\$197.20 (A)
(ii)	Rate Tier Normalization Factor	1.0166 (B)
(iii)	Normalized Required Monthly Base Rate	\$193.98 (C)

	(1)	(2)	(3)	(4)	(5)	(6)
	Individual				Family	
	Male		Female		Male/Female	
Age Category	Rate Factor (D)	Required Monthly Subscription Rate (E)	Rate Factor (D)	Required Monthly Subscription Rate (F)	Rate Factor (D)	Required Monthly Subscription Rate (G)
Under 25	0.462	\$93.00	0.646	\$128.69	1.548	\$311.48
25-29	0.511	\$102.50	0.732	\$145.37	1.734	\$347.56
30-34	0.582	\$116.28	0.870	\$172.14	1.839	\$367.93
35-39	0.666	\$132.57	0.863	\$170.78	1.941	\$387.72
40-44	0.712	\$141.49	0.944	\$186.50	1.984	\$396.06
45-49	0.861	\$170.40	1.046	\$206.28	2.091	\$416.81
50-54	1.091	\$215.01	1.222	\$240.42	2.329	\$462.98
55-59	1.398	\$274.56	1.395	\$273.98	2.607	\$516.91
60-64	1.495	\$293.38	1.495	\$293.38	2.833	\$560.75
65+		\$515.98 (H)		\$515.98 (H)		\$978.60 (H)

(A) Per Schedule 19, Column 8 for HealthMate for HSA 5000.

(B) Factor to adjust monthly base rates to reflect enrollment distribution by age, gender, contract type, and product. Factor is developed in Schedule 16, Line 32.

(C) Item (i) divided by Item (ii).

(D) Factor to convert normalized required monthly base rate to required monthly subscription rates for each age/gender and individual/family rating category. Factors are unchanged from the previous Direct Pay rate filing.

(E) Item (iii) times Column 1 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(F) Item (iii) times Column 3 plus individual Solid Organ Transplant rate (\$1.17 per Schedule 50, Column 1) plus individual Bone Marrow Transplant rate (\$2.21 per Schedule 50, Column 3).

(G) Item (iii) times Column 5 plus family Solid Organ Transplant rate (\$3.82 per Schedule 50, Column 2) plus family Bone Marrow Transplant rate (\$7.38 per Schedule 50, Column 4).

(H) Preferred (Pool II) rate for Ages 65 and over equal to Required Basic (Pool I) rate for same age category.



**AGBN-6  
Schedule 16**

**Blue Cross & Blue Shield Of Rhode Island  
Class DIR Preferred Rate (Pool II)  
Calculation of Rate Tier Normalization Factor**

	(1)	(2)	(3)	(4)	(5)	(6)
		<b>Base Period Contract Months</b>				
	<b>Rate</b>	<b>HealthMate</b>	<b>HealthMate</b>	<b>HealthMate</b>	<b>HealthMate</b>	
	<b>Factor</b>	<b>Direct</b>	<b>Direct</b>	<b>for HSA</b>	<b>for HSA</b>	
<b>Rate Tier</b>	<b>(A)</b>	<b>400</b>	<b>2000</b>	<b>3000</b>	<b>5000</b>	<b>Total</b>
1. Individual Male: Under 25	0.462	3,275	1,082	2,151	240	
2. Individual Male: 25-29	0.511	2,755	637	1,777	217	
3. Individual Male: 30-34	0.582	1,248	269	609	112	
4. Individual Male: 35-39	0.666	1,346	228	629	92	
5. Individual Male: 40-44	0.712	1,365	304	587	129	
6. Individual Male: 45-49	0.861	1,233	266	762	258	
7. Individual Male: 50-54	1.091	998	325	633	305	
8. Individual Male: 55-59	1.398	564	269	484	287	
9. Individual Male: 60-64	1.495	454	105	219	113	
10. Individual Female: Under 25	0.646	1,881	1,039	1,410	201	
11. Individual Female: 25-29	0.732	1,601	745	1,013	274	
12. Individual Female: 30-34	0.870	742	290	367	108	
13. Individual Female: 35-39	0.863	671	311	429	154	
14. Individual Female: 40-44	0.944	789	272	550	151	
15. Individual Female: 45-49	1.046	779	201	675	158	
16. Individual Female: 50-54	1.222	715	321	570	195	
17. Individual Female: 55-59	1.395	750	259	527	243	
18. Individual Female: 60-64	1.495	775	219	715	219	
19. Family: Under 25	1.548	33	10	8	8	
20. Family: 25-29	1.734	176	35	79	15	
21. Family: 30-34	1.839	434	196	167	29	
22. Family: 35-39	1.941	868	381	281	56	
23. Family: 40-44	1.984	891	397	403	113	
24. Family: 45-49	2.091	736	325	542	183	
25. Family: 50-54	2.329	604	231	349	79	
26. Family: 55-59	2.607	277	90	315	127	
27. Family: 60-64	2.833	194	96	80	35	
28. Total		26,154	8,903	16,331	4,101	55,489
29. Rate Relativity Factor (B)		0.883	0.646	0.553	0.425	
30. Rate Tier and Rate Relativity Adjusted Contract Months (C)		23,141	6,098	9,018	2,021	40,278
31. Rate Relativity Adjusted Contract Months (D)		23,094	5,751	9,031	1,743	39,619
32. Rate Tier Normalization Factor (E)						1.0166

(A) Factors are unchanged from the previous Direct Pay rate filing.

(B) Per Schedule 19, Column 3.

(C) The sum of the products of Column 1 and Columns 2 through 5 times the Rate Relativity Factor (Line 29) for each respective insurance product.

(D) Line 28 times Line 29.

(E) Line 30 divided by Line 31.

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Schedule 18

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I)  
Calculation of Required Monthly Base Rates  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Contract Months (A)	Composite Required Monthly Base Rate (B)	Rate Relativity Factor (C)	Required Monthly Base Rate Without Wellness Health Benefit (E)	Monthly Reward for Wellness Health Benefit Participants (F)	Projected Wellness Health Benefit Plan Participation Rate (G)	Net Premium Collected After Wellness Health Benefit Reward (H)	Required Monthly Base Rate With Wellness Health Benefit (I)
HealthMate Direct 400	30,466	0.883 (C)	\$852.17	\$0.00	0%	\$852.17	\$852.17
HealthMate Direct 2000	11,197	0.646 (C)	\$623.44	\$0.00	0%	\$623.44	\$623.44
HealthMate for HSA 3000	15,826	0.553 (C)	\$533.69	\$0.00	0%	\$533.69	\$533.69
HealthMate for HSA 5000	4,096	0.425 (C)	\$410.16	\$0.00	0%	\$410.16	\$410.16
Composite	61,585	0.7246 (D)	\$699.30			\$699.30	\$699.30

(A) Base period contract months.

(B) Schedule 21, Column 6 for Preferred Rates (Pool II).

(C) Rate Relativity Factors were previously 0.861, 0.646, 0.553, and 0.436. HMD 400 factor was increased 2.5% and HMFSA 5000 factor was decreased 2.5%.

(D) Column 3 weighted by contract months in Column 1.

(E) Column 2 times Column 3 divided by the composite of Column 3.

(F) Wellness Health Benefit Plan was eliminated

(G) Wellness Health Benefit Plan was eliminated

(H) Column 4 times (1 minus Column 6) plus (Column 4 minus Column 5) times Column 6.

(I) Accounts for loss of revenue due to Wellness Health Benefit Plan. Calculated as: Column 4 times composite of Column 4 divided by Composite of Column 7.

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Schedule 19

Blue Cross and Blue Shield of Rhode Island  
Class DIR Preferred Rate (Pool II)  
Calculation of Required Monthly Base Rates  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Contract Months (A)	Composite Required Monthly Base Rate (B)	Rate Relativity Factor (C)	Required Monthly Base Rate Without Wellness Health Benefit (E)	Monthly Reward for Wellness Health Benefit Participants (F)	Projected Wellness Health Benefit Plan Participation Rate (G)	Net Premium Collected After Wellness Health Benefit Reward (H)	Required Monthly Base Rate With Wellness Health Benefit (I)
HealthMate Direct 400	26,154	0.883 (C)	\$409.72	\$0.00	0%	\$409.72	\$409.72
HealthMate Direct 2000	8,903	0.646 (C)	\$299.75	\$0.00	0%	\$299.75	\$299.75
HealthMate for HSA 3000	16,331	0.553 (C)	\$256.60	\$0.00	0%	\$256.60	\$256.60
<u>HealthMate for HSA 5000</u>	4,101	<u>0.425 (C)</u>	<u>\$197.20</u>	\$0.00	<u>0%</u>	<u>\$197.20</u>	<u>\$197.20</u>
Composite	55,489	0.7140 (D)	\$331.30			\$331.30	\$331.30

(A) Base period contract months.

(B) Schedule 21, Column 6 for Preferred Rates (Pool II).

(C) Rate Relativity Factors were previously 0.861, 0.646, 0.553, and 0.436. HMD 400 factor was increased 2.5% and HMFSA 5000 factor was decreased 2.5%.

(D) Column 3 weighted by contract months in Column 1.

(E) Column 2 times Column 3 divided by the composite of Column 3.

(F) Wellness Health Benefit Plan was eliminated

(G) Wellness Health Benefit Plan was eliminated

(H) Column 4 times (1 minus Column 6) plus (Column 4 minus Column 5) times Column 6.

(I) Accounts for loss of revenue due to Wellness Health Benefit Plan. Calculated as: Column 4 times composite of Column 4 divided by Composite of Column 7.

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Schedule 20

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Rate Change Comparison of Minimum Pool II Loss Ratio and Proposed Loss Ratios  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)	Required Loss Ratio		(8)	(9)
						Experience Adjusted Loss Ratio			
						70% Loss Ratio for Pool II	Composite		
Contract Months (A)	Present Rate Income PCPM	Projected Incurred Claims Including Mandates (E)	70% Loss Ratio for Pool II	Base Rate (H)	Rate Change (I)	Experience Adjusted Basis	Required Monthly Base Rate (L)	Rate Change (M)	
Basic Rates (Pool I)	61,585	(B) \$702.80	0.9650 (F)	\$728.29	17.7%	1.0050 (J)	\$699.30	13.0%	
Preferred Rates (Pool II)	55,489	(C) \$209.38	0.7000 (G)	\$299.11	-5.8%	0.6320 (K)	\$331.30	4.4%	
Composite	117,074	(D) \$468.94	0.8934	\$524.90	10.3%	0.8934	\$524.90	10.3%	

- (A) Base period contract months.  
 (B) Weighted average present rate income for Basic Rates effective April 1, 2007.  
 (C) Weighted average present rate income for Preferred Rates effective April 1, 2007.  
 (D) Weighted by contract months in Column 1.  
 (E) Per Schedule 23, Column 4.  
 (F) Loss ratio required to achieve the composite required loss ratio after Preferred Rates (Pool II) loss ratio is set to .70. Calculated as: (Column 1 times Column 3 for Pool I) divided by [(Column 1 times Column 3 divided by Column 4 for Total Class DIR) minus (Column 1 times Column 3 divided by Column 4 for Pool II)].  
 (G) Minimum 70% Loss Ratio per last rate decision.  
 (H) Column 3 divided by Column 4.  
 (I) Column 5 divided by Column 2. Note that this does not include Organ Transplant and is prior to the incorporating the impact of Wellness Health Benefit Plan; the percent changes are on a consistent basis as Column 9.  
 (J) Per Schedule 21, Column 5.  
 (K) Per Schedule 21, Column 6.  
 (L) Column 3 divided by Column 7.  
 (M) Column 8 divided by Column 2. Note that this does not include Organ Transplant and is prior to the incorporating the impact of Wellness Health Benefit Plan; the percent changes are on a consistent basis as Column 6.

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Schedule 21

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Calculation of Composite Required Monthly Base Rates  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)
Contract Months (A)	Projected Incurred Claims Including Mandates (B)	Required Loss Ratio			Composite Required Monthly Base Rate (G)
		Full Experience Basis (C)	Current Pool Rate Alignment Basis (D)	Experience Adjusted Basis (E)	
Basic Rates (Pool I)	61,585	0.9237	1.0299	1.0050	\$699.30
<u>Preferred Rates (Pool II)</u>	<u>55,489</u>	<u>0.7962</u>	<u>0.5981</u>	<u>0.6320</u>	<u>\$331.30</u>
Composite	117,074	0.8934	0.8934	0.8934	\$524.90

(A) Base period contract months.

(B) Per Schedule 23, Column 4.

(C) Per Schedule 23, Column 11.

(D) Per Schedule 22, Column 6.

(E) Required loss ratio after adjustment to current pool rate alignment basis loss ratio. Chosen to cap the HMD 400 Pool II rate increase at 5.7%.  
Determined by iteration.

(F) Loss ratio required to achieve the composite required loss ratio after Basic Rates (Pool I) loss ratio is experience adjusted. Calculated as: (Column 1 times Column 2 for Pool II) divided by [(Column 1 times Column 2 divided by Column 5 for Total Class DIR) minus (Column 1 times Column 2 divided by Column 5 for Pool I)].

(G) Column 2 divided by Column 5.

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Schedule 22

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Calculation of Required Loss Ratios on Current Pool Rate Alignment Basis  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)
	Projected Incurred Claims Including Mandates (B)	Required Income PCPM (C)	Present Rate Income PCPM (D)	Required Income PCPM (G)	Required Loss Ratio (H)
Contract Months (A)					
Basic Rates (Pool I)	61,585	\$702.80	\$618.67	\$682.42	1.0299
Preferred Rates (Pool II)	55,489	\$209.38	\$317.38	\$350.08	0.5981
Composite	117,074	\$524.90	\$475.87	\$524.90	0.8934

(A) Base period contract months.

(B) Per Schedule 23, Column 4.

(C) Per Schedule 23, Column 10.

(D) Weighted average present rate income for Basic Rates effective April 1, 2007.

(E) Weighted average present rate income for Preferred Rates effective April 1, 2007.

(F) Weighted by contract months in Column 1.

(G) Required Income PCPM, adjusted to reflect current rate alignment between Pools I and II. Calculated as: (Column 3 composite) times (Column 4 divided by Column 4 composite).

(H) Column 2 divided by Column 5.

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Schedule 23

Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Calculation of Required Loss Ratios on Full Experience Basis  
for April 1, 2008 Billing Cycle

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Contract Months (A)	Projected Incurred Claims Expense PCPM	State Assessments Impact (E)	Projected Incurred Claims Including Assessments (F)	Administrative Expense PCPM (G)	Projected Incurred Claims and Administrative Expense PCPM (H)	Investment Income Credit PCPM (I)	New System Expense (J)	Contribution to Reserve/ Tax Liability PCPM (K)	Required Income PCPM (L)	Required Loss Ratio (M)
Basic Rates (Pool I)	61,585	\$695.02 (B)	1.0112	\$702.80	\$51.23	\$754.03	\$0.00	\$8.37	\$760.89	0.9237
Preferred Rates (Pool II)	55,489	\$207.06 (C)	1.0112	\$209.38	\$51.23	\$260.61	\$0.00	\$2.89	\$262.98	0.7962
Composite	117,074	\$463.74 (D)		\$468.94	\$51.23	\$520.17	\$0.00	\$5.77	\$524.90	0.8934

- (A) Base period contract months.  
 (B) Per Schedule 30, Composite of Column 2.  
 (C) Per Schedule 30, Composite of Column 4.  
 (D) Weighted by contract months in Column 1.  
 (E) Per Schedule 25, Line 5.  
 (F) Column 2 times Column 3.  
 (G) Per Schedule 47, Column 2.  
 (H) Column 4 plus Column 5.  
 (I) Reduction of required subscription income per contract month due to anticipated return on invested funds. Assumed to be 0.20% of projected incurred claims and administrative expense (Column 6 times -0.0020).  
 (J) Rating component for new "core payment system" reduced to \$.00  
 (K) 1.1% state premium assessment. ((Column 6 plus Column 7) divided by 0.989) minus (Column 6 plus Column 7).  
 (L) Sum of Columns 6 through 9.  
 (M) Column 4 divided by Column 10.

**AGBN-6  
Schedule 50**

**Blue Cross and Blue Shield of Rhode Island  
Class DIR Basic Rate (Pool I) and Preferred Rate (Pool II)  
Organ Transplant  
Calculation of Required Monthly Subscription Rates**

	(1)	(2)	(3)	(4)
	<u><b>Solid Organ Transplant</b></u>	<u><b>Bone Marrow Transplant</b></u>		
	<u><b>Individual</b></u>	<u><b>Family</b></u>	<u><b>Individual</b></u>	<u><b>Family</b></u>
1. Calendar 2008 at 90% Reinsurance Capitation per Contract Month (A)	\$1.0200	\$3.3200	\$1.9200	\$6.4200
2. Calendar Year 2008 at 10% for Blue Cross Incurred Claims Expense per Contract Month (B)	\$0.1133	\$0.3689	\$0.2133	\$0.7133
3. Total Calendar Year 2008 Capitation / Incurred Claims Expense per Contract Month (C)	\$1.1333	\$3.6889	\$2.1333	\$7.1333
4. Composite Projection Factor	1.0250 (H)	1.0250 (H)	1.0250 (I)	1.0250 (I)
5. Rate Period Capitation / Incurred Claims Expense per Contract Month (D)	\$1.1616	\$3.7811	\$2.1866	\$7.3116
6. Investment Income Credit per Contract Month (E)	(\$0.0023)	(\$0.0076)	(\$0.0044)	(\$0.0146)
7. Reserve Contribution / Federal Tax Liability / State Premium Tax Assessment/ New System Component per Contract Month (F)	\$0.0129	\$0.0420	\$0.0243	\$0.0812
8. Required Monthly Subscription Income per Contract Month (G)	<b>\$1.17</b>	<b>\$3.82</b>	<b>\$2.21</b>	<b>\$7.38</b>

(A) From BCS Insurance Company.

(B) Estimated Blue Cross incurred claims expense per contract month: (Line 1 divided by 0.90) minus Line 1.

(C) Line 1 plus Line 2.

(D) Line 3 times Line 4.

(E) Reduction of required subscription income per contract month due to anticipated return on invested funds. Assumed to be 0.20% of rate period capitation/incurred claims expense (Line 5 times -0.0020).

(F) 1.1% state premium tax assessment. ((Line 5 plus Line 6) divided by 0.989) minus (Line 5 plus Line 6).

(G) Sum of Lines 5 through 7, rounded to the nearest cent.

(H) Per Schedule 51, Column 2.

(I) Per Schedule 51, Column 3.